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# World Agriculture

## Outlook and Situation Report



World Farm Output Rebounds,
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Note: Tons are metric, dollars are U.S., and rice is on a milled basis unless specified otherwise.


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## SUMMARY

**World** economic **growth** could exceed 3.5 percent this year, down from last year's estimated 4.1, with the United States remaining a strong contributor, despite U.S. growth well below 1984's 6.8 percent. In the industrialized countries, Japan could lead with a growth rate around 4.5 percent, and Europe will lag behind with 2.5 to 3 percent. East Asia will likely lead the developing regions, and Latin American economic growth could expand about 3 percent.

Overall world trade, although somewhat slower than last year, will be the strength behind expansion in 1985. Industrialized countries saw export values increase about 6 percent in 1984, after declines the previous 3 years. Non-oil exporting developing countries increased export values about 8 percent; Latin America, 12 percent; and Asia, 11 percent. The export values of the oil-exporting nations remained constant.

**The strong U.S. dollar** boosted foreign exports to the United States in 1984 and is expected to again this year. Similarly, foreign exports have underpriced U.S. products in third markets. The U.S. dollar advanced against all other major currencies the first quarter of 1985, setting records against the British pound, French franc, Italian lira, and Canadian dollar. Continued growth in the U.S. economy is expected to support the dollar in coming months, with only the Japanese yen showing significant resistance.

**Record crops abroad**, the strong dollar, and slow demand growth are limiting U.S. agricultural exports, which are expected to decline in 1984/85. U.S. agricultural exports to Western Europe will probably decline again this year, from $9.3 billion in fiscal 1984, with smaller shipments of grains and feeds, oilseeds and products, and animals and products. Exports to Japan and other East Asian countries are also forecast to fall from a record $10.6 billion last fiscal year. Shipments to Eastern Europe, China, South Asia, Southeast Asia, and Latin America are expected to decline.

After dropping about 1 percent in 1983, world agricultural production resumed its upward trend in 1984, exceeding the 1982 record by nearly 4 percent. Per capita production was nearly 3 percent more than 1983 and about the same as its 1982 record. Global food production has trended up 2 percent annually since 1975, slightly ahead of the population's 1.7-percent rise.

**Better weather over much of Southern Africa** has improved crop prospects after the 2 to 3 years of drought in many areas. Regional corn imports are forecast to decline about a third from 1984's record 3.5 million tons. South Africa will have another poor maize harvest, but imports of U.S. corn may fall to less than half of last year's 2.7 million.

Total meat production is forecast to rise 1 percent in 1985. Gains in poultry meat and pork production are forecast to more than offset declines in beef and veal output. Feed prices may ease, helping producer returns in the poultry and hog sectors; however, small gains in consumer incomes could limit

## WORLD ECONOMIC CONDITIONS

### Global Assessment

*World Economic Expansion To Continue*

The 1984 expansion of the world economy laid the foundation for what, in 1985, will likely be a second year of improvement for many of the world's regions. Already in early 1985, forecasts for world growth for the remainder of the year are higher than those made a year ago.

Several factors account for this improved outlook. The U.S. expansion of 1984 gave rise to a greater increase in foreign exports than previously expected. Now, higher output in the United States' trading partners will lead to increased demand for goods produced by countries that are in turn their trading partners. Interest rates declined worldwide from mid- to late 1984, lowering the financing charges on investments and debt repayments. Petroleum prices declined over the course of 1984 and again in January 1985.

These declines have helped to slow world inflation and increases in production costs. The gains due to lower petroleum prices, however, have been mitigated by the dollar's rise in value, 8 percent from 1983 to 1984 and a further 6 percent from the end of 1984 to the end of February 1985.

World economic growth could exceed 3.5 percent this year. The United States will likely continue to be a strong contributor to the world expansion, even though its growth rate may be well below 1984's surprising 6.8 percent. In the industrialized countries, Japan could lead the growth race, with a rate around 4.5 percent, and Europe will likely lag behind as in 1984, with a rate of 2.5-3.0 percent. The developing regions are likely to be led by East Asia, with strong growth continuing in exports and investment. Latin America, with its debt problems fairly stable now, could expand about 3 percent--its first expansion of more than 1.5 percent in 4 years.

World GNP growth rates

| Country | 1983 | 1984 | 1985 1/ |
|---|---|---|---|
| World | 2.1 | 4.1 | 3.7 |
| Industrialized less U.S. | 1.5 | 3.1 | 3.3 |
| Developing | .2 | 3.1 | 4.5 |
| Centrally planned | 3.4 | 3.5 | 3.7 |

1/ Project Link forecast.

Export growth will likely be the strength behind continuing expansion this year, though somewhat slower than in 1984. The industrialized countries, including the United States, increased their export values by an estimated 6 percent in 1984, after declines during the previous 3 years. The non-oil exporting developing countries increased export values an estimated 8 percent; Latin America, 12 percent; and Asia, 11 percent. Export values of the oil-exporting nations were constant.

Foreign short-term interest rates, 23 basis points lower in December 1984 than the annual average of 8.61 percent, climbed the first 2 months of 1985, to 8.87 percent. Still, the earlier decline brought beginning-1985 rates to a lower base than earlier anticipated. The sudden rise in 1985 was largely due to increases in British rates, in defense of the pound. Many forecasters have predicted an increase in foreign interest rates over 1985 for three reasons. First, foreign monetary officials are expected to keep a tight rein on money supplies. Second, private credit demand will increase if the foreign economies expand as anticipated. Third, if the dollar continues to appreciate, foreign bankers and authorities will probably raise interest rates to limit the outflow of funds.

*OPEC Lowers Prices*

In January, OPEC agreed to reduce the differential between its high- and low-priced crudes by cutting $1 from its high-priced oil. Resulting reductions in average prices paid for oil imports will likely free some foreign exchange for oil-importing LDC's. If so, those LDC's are apt to import an even higher value of goods in 1985 than in 1984, probably making 1985 the strongest year for imports in 3 years. LDC regions that could show the highest import growth in 1985 are Asia, because of strong production for domestic and export markets, and Latin America, because of continuing import liberalization.

Several factors account for downward pressure on OPEC's official prices:

- o Demand is low because the world has become more efficient in its use of oil and because the rising value of the dollar has increased oil costs in foreign currencies, even though the dollar price of oil has fallen. This increased efficiency, especially in the use of low-grade crudes, pressured OPEC to discuss narrowing the range of prices among different crudes.
- o Foreign exchange shortages in such OPEC countries as Nigeria, Venezuela, Libya, and Indonesia have reportedly led them to exceed production limits mandated by the cartel, aggravating the oversupply.
- o Aggressive pricing strategies by competitors, especially Norway and the U.K., have eroded OPEC's market share and forced cash-strapped OPEC countries to play catch-up in price reductions.

In the short term, a further decline in oil prices would probably lower inflationary pressures more than stimulate output, given the smaller dependence of GNP growth on oil consumption now than 10 years ago. For U.S. agriculture, the energy component of production costs would decline, as would the costs of petroleum-based chemicals. For the rest of the world, a lowering of the nominal price of oil would be even larger if the dollar were to depreciate.

*Dollar's Rise Led to Lower World Inflation*

The continued ascendancy of the dollar appears to have both good and bad effects on foreign economies. On balance, the dollar's rise has benefited the world economy. By making foreign-produced goods inexpensive relative to U.S.-produced goods, the strengthened dollar boosted foreign exports to the United States in 1984 and is expected to do so again this year. Similarly, foreign exports have been able to underprice U.S. exports in third markets.

Through its effects on financial flows, the dollar's rise has helped to reduce global inflation. Investors worldwide, including those in the United States, have placed their funds in U.S. financial assets with the expectation that the dollar would continue to appreciate. Foreign monetary officials lowered their monetary growth rates and raised interest rates so that both would be more in line with corresponding U.S. rates, to induce foreign investors to retain their domestic financial assets and purchase new issues. These and other factors lowered inflation among the major foreign economies from 5.6 percent in January 1983 to 4.2 in December 1984, and they have set the stage for an inflation rate below 5 percent over the next several years.

In the meantime, however, the dollar's strength has raised the prices of imports for many countries in terms of their own currency, increased the difficulty of repaying debts denominated in dollars, and drawn foreign capital into U.S. credit markets.

Three factors suggest that world exports will increase this year. First, U.S. import demand will probably rise if the U.S. economy grows and the dollar remains highly valued, as expected. Second, Europe's growth rate for 1985 is forecast to exceed its 1984 rate of 2.3 percent, raising the region's import demand. Third, growth in the developing countries will likely result in an increase in their foreign exchange holdings, allowing them to afford higher quantities of imports. [*Art Morey (202) 447-8470*]

## Exchange Rates

*U.S. Dollar Remains Mighty*

The U.S. dollar has appreciated strongly during the first quarter of 1985, advancing against all other major currencies. The dollar's robust performance is best illustrated by its February movement: Record highs were set against the British pound, French franc, Italian lira, and Canadian dollar in 15 out of 19 trading days. U.S. currency achieved its highest monthly average against the German mark since December 1971. Only the Japanese yen has shown any resistance to the dollar's surge, despite a small loss over the course of the month.

The dollar's good graces are the result of the burgeoning U.S. economy, declining (or stable) world commodity prices, and expanding world trade. There are no present indications that would give credence for a steady or substantial decline in the dollar.

Foreign currency units per U.S. dollar

| Year | Mark | Yen | Pound | Guilder | Can$ |
|---|---|---|---|---|---|
| 1979 | 1.833 | 219.2 | .4713 | 2.006 | 1.171 |
| 1980 | 1.818 | 226.4 | .4299 | 1.987 | 1.169 |
| 1981 | 2.257 | 220.2 | .4983 | 2.492 | 1.199 |
| 1982 | 2.427 | 248.8 | .5722 | 2.669 | 1.234 |
| 1983 | 2.553 | 237.5 | .6592 | 2.854 | 1.232 |
| 1984 | 2.846 | 237.5 | .7483 | 3.209 | 1.295 |
| Jan. | 2.810 | 233.7 | .7102 | 3.158 | 1.248 |
| Feb. | 2.698 | 233.5 | .6931 | 3.043 | 1.248 |
| Mar. | 2.596 | 225.2 | .6864 | 2.931 | 1.269 |
| Apr. | 2.647 | 225.2 | .7036 | 2.984 | 1.279 |
| May | 2.745 | 229.0 | .7250 | 3.105 | 1.310 |
| June | 2.738 | 233.4 | .7257 | 3.085 | 1.304 |
| July | 2.847 | 242.8 | .7573 | 3.213 | 1.324 |
| Aug. | 2.887 | 242.3 | .7613 | 3.256 | 1.303 |
| Sept. | 3.023 | 245.2 | .7941 | 3.410 | 1.314 |
| Oct. | 3.069 | 246.8 | .8201 | 3.460 | 1.319 |
| Nov. | 2.987 | 243.3 | .8050 | 3.374 | 1.316 |
| Dec. | 3.102 | 247.9 | .8423 | 3.502 | 1.320 |
| 1985 | | | | | |
| Jan. | 3.168 | 254.2 | .8857 | 3.579 | 1.324 |
| Feb. | 3.300 | 260.2 | .9141 | 3.734 | 1.354 |
| Mar.1/ | 3.357 | 260.0 | .9300 | 3.811 | 1.385 |

1/ Preliminary.

*Intervention To Curb Dollar Fails*

The dollar's value rose sharply in January and February despite concerted and massive central bank intervention by European countries, Japan, and Canada. West Germany alone is estimated to have spent almost $5 billion during February in an effort to stave off the mark's decline.

Three primary reasons undermine any long-lasting effect on the dollar's value. First, in an environment with strong fundamental support for the dollar, it is unlikely that intermittent central bank activity can affect the dollar's value. Second, foreign exchange market activities complicate other objectives of monetary authorities, such as controlling domestic money supplies. The Federal Reserve, for example, would be reluctant to risk renewed inflation to maintain a fixed value for the dollar. Third, the volume of daily foreign exchange activities, estimated at $50 billion per day in New York alone, limits the ability of even the wealthiest central bank to systematically enter and affect currency markets.

*U.S. Economy Boosts Dollar*

The most important factor underscoring the dollar's current position is the impressive performance of the U.S. economy. Rapid growth has been accompanied by rising rates of return on dollar-denominated financial assets. As a result, desire to invest in the United States continues to increase. Virtually anyone may participate in the most open and varied capital market in the world, sharing in the profitability currently accorded U.S. investment opportunities. Increased purchases of U.S. stocks and bonds continue to drive up the dollar's international valuation.

A second and perhaps more important element in the area of international capital flows is the apparent decision of U.S. investors to keep their money at home. The U.S. financial market is at least as appealing to U.S. citizens as it is to foreigners. This is especially so when the U.S. economy is contrasted to sluggish economic growth in Western Europe, limited opportunities in Japan, and the international debt crisis. There is, therefore, upward pressure on the dollar's value from two fronts. There is not only a continued increase in the demand for dollars from abroad, but also a reduction in the supply "sent" overseas.

*Rising Trade, Falling Prices Lift Dollar*

The U.S. dollar is now, as much as anytime in the past, the world's currency. Most of world trade (about 70 percent) is denominated in U.S. currency. U.S. dollars serve as the intermediary for cross-currency transactions where markets are small. As world trade expands, then, demand for dollars rises. In addition, declining international commodity prices (most of which are quoted in dollars) make U.S. currency that much more valuable.

*Dollar To Remain Bulwark in Currency Markets*

The strong U.S. economy should continue to provide considerable support for the dollar in the coming months. Relatively high interest rates will continue to attract foreign investments, while keeping their U.S. counterparts at home. Expanding world trade should fuel continued demand for the dollar, now increasing in real value with the decline in world commodity prices.

The German mark may decline to as low as 4 per dollar by the end of 1985, although 3.6 to 3.8 is more likely. The Japanese yen will be

the only major currency to drop less than 5 percent from the start of 1985 and should finish the year at 250 to 260 yen per dollar. Only a massive shock to the U.S. economy or an abrupt change in expectations could reverse this scenario. [*David Stallings (202) 382-9831*]

### World Agricultural Output Rebounds

After dropping about 1 percent in 1983, world agricultural production resumed its upward trend in 1984 by rising nearly 4 percent above the 1982 record. While population rose nearly 2 percent last year, per capita production was almost 2 percent more than in 1983 and about the same as its 1982 record.

Agricultural output was near or above record during 1984 for the developed, centrally planned, and developing countries. Within the developed group, only Canada's and Oceania's output was down. Although Soviet production also declined slightly, 1984 was one of the best in the past 10 years for the centrally planned countries. Approximately 75 percent of the developing countries had output higher than the previous year.

For the developed countries, the biggest change came in the United States. After the 20-percent-plus drop in 1983, output in 1984 rose about 18 percent to near the 1980-82 average. In 1983, Government acreage reduction programs for grains and cotton, combined with lower yields from rice, corn, sorghum, cotton, and soybeans, reduced production below trend. Western Europe, with good weather and better-than-average yields, also recovered in 1984 from below-average output in 1983 to reach a new high, about 4 percent above the 1980-82 average.

For the second year in succession, drought struck the maize crop in the Republic of South Africa, cutting production to about 50 percent of the 1980-82 average and holding overall agricultural output in 1984 to around 10 percent less. Oceania's and Canada's production totals in 1984 were both down nearly 5 percent from 1983. Canada's drought reduced the wheat crop some 5 million tons (about 20 percent) from the previous 3-year

World indices of agricultural production

| Country | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | Growth rate | 1984/1983 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 1976-78 = 100 | | | | | Percent 1/ | |
| Developed | 97 | 96 | 100 | 103 | 107 | 105 | 109 | 110 | 102 | 111 | 1.37 | 8.8 |
| U.S. | 94 | 96 | 102 | 102 | 109 | 102 | 115 | 115 | 93 | 110 | 1.26 | 18.3 |
| Canada | 90 | 96 | 100 | 104 | 98 | 103 | 113 | 119 | 114 | 109 | 2.48 | -4.4 |
| Japan | 101 | 95 | 103 | 102 | 101 | 90 | 92 | 94 | 94 | 100 | -.63 | 6.4 |
| Rep. S. Africa | 92 | 94 | 101 | 105 | 102 | 107 | 120 | 107 | 93 | 101 | .91 | 8.6 |
| Oceania | 96 | 98 | 95 | 107 | 105 | 98 | 106 | 97 | 115 | 111 | 1.47 | -3.5 |
| W. Europe | 99 | 97 | 99 | 104 | 108 | 112 | 110 | 113 | 110 | 117 | 1.97 | 6.4 |
| Developing | 94 | 96 | 100 | 104 | 104 | 107 | 112 | 113 | 115 | 119 | 2.57 | 3.5 |
| S. and Cent. America | 94 | 95 | 101 | 104 | 107 | 110 | 116 | 115 | 114 | 120 | 2.71 | 5.3 |
| E. Asia 2/ | 86 | 95 | 101 | 104 | 103 | 94 | 99 | 103 | 104 | 108 | 1.54 | 3.8 |
| S.E. Asia | 94 | 96 | 98 | 106 | 108 | 116 | 125 | 125 | 131 | 133 | 4.29 | 1.5 |
| South Asia | 95 | 93 | 101 | 106 | 100 | 103 | 110 | 108 | 120 | 120 | 2.64 | 0 |
| Middle East | 91 | 99 | 97 | 103 | 102 | 103 | 103 | 109 | 110 | 114 | 2.04 | 3.6 |
| North Africa | 97 | 103 | 94 | 103 | 105 | 110 | 105 | 116 | 110 | 116 | 1.96 | 5.5 |
| Sub-Sahara 3/ | 95 | 98 | 100 | 102 | 105 | 108 | 111 | 112 | 108 | 114 | 1.92 | 5.6 |
| Centrally planned | 93 | 98 | 97 | 104 | 104 | 102 | 103 | 110 | 115 | 117 | 2.28 | 1.7 |
| USSR | 89 | 98 | 97 | 105 | 98 | 95 | 92 | 98 | 102 | 101 | .63 | -1.0 |
| E. Europe | 96 | 99 | 98 | 103 | 103 | 97 | 101 | 104 | 103 | 109 | .97 | 5.8 |
| China | 98 | 98 | 96 | 106 | 118 | 120 | 126 | 140 | 151 | 152 | 5.70 | .7 |
| World | 95 | 97 | 99 | 104 | 105 | 104 | 108 | 111 | 110 | 115 | 1.99 | 4.6 |

1/ Annual compound growth rate, 1975-84, least squares method and percentage change from 1983-84.
2/ Excludes Japan and China. 3/ Excludes Republic of South Africa.

average. Australia and New Zealand produced record wheat and barley crops in 1983, but lower yields in 1984 dropped wheat production closer to trend.

Very poor weather for crops and livestock continued in both the African Sahel countries and central east Africa. In both areas, 1984 output dropped 5 to 25 percent below 1983. With nearly 10 percent less food output than the average of the previous 3 years, Ethiopia's production and distribution problems were compounded by a large number of political refugees from growing separatist movements in northern provinces.

Last year's largest reductions from the previous year came in Niger and Syria, which had 26 and 20 percent less output, respectively. For both, it was their lowest output in the past 10 years. Continued drought in Niger and other Sahel countries further strained their short food and feed supplies. Poor weather also reduced Syria's cereal crops to less than half their usual size. Kenya's production was down 4 percent from 1983 but was about the same as the 1981-83 average. However, with Kenya's population growing at slightly more than 4 percent annually, per capita agricultural output was the poorest since 1971 and approximately 10 percent below the average of the previous 9 years. Per capita food production is declining in 80 percent of the African countries.

Agricultural production in the developing countries of Asia and Latin America climbed about 6 and 5 percent, respectively, above the previous 3-year averages. Weather was generally favorable in both regions. Per capita output for the Asian group was about 1 percent above the 1981-83 average, while the Latin American group remained approximately the same. Production in Argentina, Brazil, Chile, and Venezuela was up more than 6 percent above the previous year.

Agricultural output in India and Bangladesh, two of Asia's large producers, dropped slightly in 1984 from 1983's record. But, Indonesia's production was around 3 percent higher than the 1983 record. Longer-than-usual monsoon rains extended the growing season for rice and resulted in Indonesia's largest rice crop, but with annual population increases of 2.5 percent, per capita agricultural output remained about the same.

Food production, population, and per capita growth rates, 1975-84

| Country | Prod. | Pop. | Per capita |
|---|---|---|---|
| | Percent 1/ | | |
| World | 2.0 | 1.7 | 0.3 |
| Developed | 1.4 | .7 | .7 |
| Centrally planned | 2.3 | 1.1 | 1.2 |
| China | 5.3 | 1.3 | 4.0 |
| Less China | 1.6 | 1.5 | .1 |
| Developing | 2.6 | 2.4 | .2 |
| Africa | 1.9 | 3.0 | -1.1 |

1/ Annual compound growth rate, 1975-84, least squares trend.

*Food Output Growing, But So Is Population*

Global food production has increased 2 percent annually over the past 10 years and population 1.7 percent, leaving 0.3 percent more food per capita each year. With food output and population growing at nearly the same rate, food availability would benefit from more efficient distribution and conservation of the existing supply.

China has made the largest gains in total and per capita food production over the past decade. Food production increased an average of 5.3 percent annually, with most of the gains coming in the last 6 years. Recently revised population estimates and the Government's birth control policy have reduced average population growth to 1.3 percent per year, a dramatic change from the previous estimates of nearly 2.2 percent. The lower population growth and the higher rate of food production has provided the country with a more abundant food supply per capita, and pushed the centrally planned group to the top in per capita food gains.

All other groups of countries have a food output growth rate that is about the same as or slightly higher than the population growth, except Africa. A 3-percent annual population increase there has outgrown food production and contributed to the chronic food shortages.

Government policies for 1985 could have some effect on global agricultural output. China intends to lower cotton production about 20 percent. EC milk marketing quotas to curb supplies are in their second year. A lower U.S. farm price for milk and reduction

in acreage for some commodities could result in lower output. Japan extended its rice-reducing policy of the past few years. On the other hand, farm policies in the Soviet Union, Eastern Europe, Latin America, and Asia are generally designed to encourage higher output.

Regardless of all government policies, unpredictable weather during the growing and harvest periods will continue to be the major determinant of annual world agricultural output. [*Boyd Chugg (202) 447-8055*]

## WORLD COMMODITY DEVELOPMENTS

### Wheat and Rice

Production of the world's two major food grains in 1984/85 will greatly exceed last year's records--wheat up 5 percent and rice 3 percent. These bountiful supplies have depressed world wheat and rice prices and encouraged record consumption of both commodities. Despite the record consumption, wheat stocks will be driven even higher, as global production outpaces use for the fourth consecutive year. Competition for export markets has been especially intense in recent months, as the continued strength of the dollar makes it difficult for U.S. exports to compete with inexpensive grain from abroad.

*European Wheat Output Jumps*

The year-to-year change in global wheat production is 27 million tons. Record yields in the EC, non-EC Western Europe, and Eastern Europe boosted European output by an astounding 25 percent, or about the equivalent of the gain in world production.

Production changes in wheat outside Europe netted about zero. The 5-million-ton U.S. gain over 1983's PIK-reduced crop was offset by a shortfall of the same magnitude in Canada, due to dry weather. With Southern Hemisphere wheat crops now harvested, the Australian crop is estimated at 18.5 million tons, well below last year's record but

International commodity prices

| | Wheat | | | | Corn | | Soybeans | Soyoil | Soymeal 44% | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | U.S. 1/ | Arg. 2/ | Can. 3/ | Aust. 4/ | U.S. 5/ | Arg. 2/ | U.S. 6/ | U.S. 7/ | U.S. 7/ | Hamburg 8/ |
| | Dollars per metric ton | | | | | | | | | |
| 1975 | 149 | 147 | 181 | 167 | 122 | 126 | 210 | 559 | 141 | 162 |
| 1976 | 134 | 128 | 149 | 147 | 115 | 114 | 223 | 414 | 179 | 203 |
| 1977 | 105 | 100 | 116 | 113 | 98 | 93 | 271 | 524 | 212 | 240 |
| 1978 | 131 | 126 | 134 | 119 | 105 | 102 | 259 | 565 | 189 | 226 |
| 1979 | 162 | 159 | 171 | 142 | 118 | 117 | 278 | 610 | 160 | 254 |
| 1980 | 176 | 203 | 192 | 175 | 129 | 159 | 272 | 522 | 217 | 271 |
| 1981 | 176 | 190 | 194 | 175 | 135 | 139 | 272 | 464 | 223 | 269 |
| 1982 | 161 | 166 | 165 | 160 | 110 | 109 | 233 | 404 | 197 | 233 |
| 1983 | 158 | 138 | 167 | 161 | 137 | 133 | 269 | 518 | 222 | 255 |
| 1984 | 153 | 135 | 166 | 153 | 138 | 132 | 271 | 678 | 184 | 210 |
| Jan. | 153 | 129 | 177 | 153 | 144 | 138 | 292 | 623 | 222 | 255 |
| Feb. | 151 | 125 | 174 | 148 | 138 | 129 | 281 | 600 | 205 | 243 |
| Mar. | 155 | 127 | 176 | 151 | 149 | 132 | 304 | 664 | 216 | 252 |
| Apr. | 158 | 138 | 168 | 154 | 150 | 140 | 303 | 707 | 208 | 236 |
| May | 154 | NA | 169 | 153 | 147 | 140 | 324 | 852 | 208 | 226 |
| June | 151 | 144 | 169 | 154 | 147 | 141 | 297 | 785 | 192 | 210 |
| July | 149 | 141 | 162 | 147 | 143 | 139 | 257 | 671 | 174 | 191 |
| Aug. | 154 | 145 | 158 | 152 | 140 | 138 | 256 | 637 | 167 | 180 |
| Sept. | 157 | 143 | 158 | 158 | 135 | 140 | 238 | 607 | 159 | 171 |
| Oct. | 154 | 141 | 159 | 156 | 123 | 124 | 236 | 666 | 155 | 181 |
| Nov. | 153 | 132 | 157 | 156 | 120 | 117 | 238 | 694 | 150 | 188 |
| Dec. | 150 | 116 | 159 | 155 | 117 | 101 | 230 | 629 | 150 | 181 |
| 1985 | | | | | | | | | | |
| Jan. | 149 | 110 | 164 | 153 | 121 | 108 | 231 | 633 | 150 | 175 |
| Feb. 9/ | 148 | 112 | 163 | 152 | 120 | 107 | 228 | 649 | 139 | 163 |

1/ No. 2 hard winter, ordinary protein, f.o.b. Gulf ports. 2/ F.o.b. Buenos Aires. 3/ No. 1 western red spring, 13.5% protein, in store Thunder Bay. 4/ July-June crop year, standard white, f.o.b. selling price. 5/ U.S. No. 2 yellow, f.o.b. Gulf ports. 6/ No. 3 yellow, f.o.b. Gulf ports. 7/ Decatur. 8/ F.o.b. ex-mill. 9/ Preliminary. NA = not available.

Wheat: Production, consumption, and net exports

| Country | 1983/84 Prod. | 1983/84 Cons. | 1983/84 Net exp. | 1984/85 F Prod. | 1984/85 F Cons. | 1984/85 F Net exp. |
|---|---|---|---|---|---|---|
| | Million metric tons | | | | | |
| Major exporters | | | | | | |
| U.S. | 65.9 | 30.2 | 38.7 | 70.6 | 30.2 | 39.3 |
| Canada | 26.6 | 5.9 | 21.8 | 21.2 | 5.3 | 17.2 |
| Aust. | 21.9 | 2.6 | 11.6 | 18.5 | 3.1 | 15.3 |
| EC-10 | 59.1 | 49.2 | 11.3 | 76.4 | 51.9 | 16.5 |
| Arg. | 12.3 | 4.7 | 9.7 | 12.7 | 4.5 | 7.5 |
| Turkey | 13.3 | 13.8 | .3 | 13.3 | 13.7 | -.6 |
| Major importers | | | | | | |
| USSR | 78.0 | 95.0 | -20.0 | 75.0 | 100.0 | -25.0 |
| China | 81.4 | 91.0 | -9.6 | 87.7 | 96.0 | -8.3 |
| E. Europe | 35.4 | 37.0 | -1.5 | 41.8 | 40.6 | -.7 |
| Other W. Europe | 8.9 | 9.7 | -.3 | 10.9 | 10.4 | +.3 |
| Brazil | 2.1 | 6.4 | -3.9 | 1.9 | 6.5 | -5.4 |
| Mexico | 3.2 | 4.1 | -.5 | 4.2 | 4.2 | -.2 |
| Other Latin Am. | 1.6 | 8.4 | -7.0 | 1.8 | 8.5 | -6.7 |
| Japan | .7 | 6.2 | -5.5 | .7 | 6.4 | -5.3 |
| India | 42.8 | 42.0 | -2.5 | 45.1 | 43.0 | +.7 |
| S. Korea | .1 | 2.3 | -2.4 | 0 | 2.7 | -2.7 |
| Indonesia | 0 | 1.6 | -1.7 | 0 | 1.6 | -1.6 |
| O. Asia | 18.1 | 23.9 | -6.7 | 16.7 | 24.9 | -7.7 |
| Egypt | 2.0 | 8.0 | -6.4 | 1.8 | 8.4 | -6.8 |
| Morocco | 2.0 | 4.1 | -2.1 | 2.0 | 4.2 | -2.6 |
| Other N. Afr./ME | 10.8 | 24.4 | -15.0 | 10.1 | 25.9 | -15.7 |
| O. Africa | 2.9 | 7.6 | -4.1 | 3.2 | 8.0 | -5.0 |
| Residual | .3 | 6.1 | -4.2 | .4 | 4.4 | -2.5 |
| World | 489.4 | 484.2 | | 516.0 | 504.4 | |

Trade on July-June years. F = forecast.

nevertheless Australia's second largest on record. Argentina also produced its second largest wheat crop, as good late-season weather and the increased use of fertilizers raised yields to new highs.

China substantially increased output, a record for the third consecutive year. China's grain purchases have diminished in recent months, and its wheat imports this year are expected to be the lowest in 5 years. The Soviet Union, on the other hand, experienced a poor harvest for the fourth consecutive year and is expected to import a record 26 million tons in 1984/85. The African drought dramatically raised the need for emergency food aid, and the United States will be making large P.L. 480 wheat shipments to drought-affected nations throughout 1985.

*Export Competition Keen*

Export competition will remain keen through the spring and summer months, and the short-term outlook for U.S. exports is bleak. With record exportable supplies overhanging the market and reduced Soviet demand anticipated for 1985/86, U.S. prices may drop even further. The USSR, China, and Brazil have canceled previous purchases, contributing to the recent decline in outstanding U.S. export sales for 1984/85.

Turkey, for one example of the competitive market, had been expected to purchase an additional 500,000 tons of U.S. wheat, but instead purchased from Argentina and the EC at prices significantly lower than U.S. prices. Thus, despite strong U.S. wheat exports during the first half of 1984/85, weak commercial sales during the remainder of the year are expected to result in a continued decline in the U.S. share of global wheat trade—perhaps to 37 percent, or the lowest since 1971/72.

*Rice Output Record, But Demand Weak*

Expanding rice area and yields pushed global 1984/85 rice production to a new high. China showed the largest gain, with record

Rice: Production, consumption, and net exports

| Country | 1983/84 Prod. | 1983/84 Cons. | 1983/84 Net exp. | 1984/85 F Prod. | 1984/85 F Cons. | 1984/85 F Net exp. |
|---|---|---|---|---|---|---|
| | Million metric tons | | | | | |
| Major exporters | | | | | | |
| U.S. | 3.2 | 1.8 | 2.1 | 4.4 | 1.9 | 2.0 |
| Thailand | 12.9 | 8.1 | 4.5 | 12.2 | 8.1 | 4.3 |
| Pakistan | 3.3 | 2.3 | 1.1 | 3.4 | 2.4 | .9 |
| China | 118.2 | 117.4 | .8 | 124.7 | 123.9 | .8 |
| India | 59.8 | 58.0 | -.5 | 59.5 | 58.5 | --- |
| Burma | 9.0 | 8.2 | .8 | 9.0 | 8.4 | .6 |
| Japan | 9.4 | 10.0 | -.1 | 10.4 | 9.9 | 0 |
| Italy | .6 | .3 | .4 | .7 | .3 | .3 |
| Aust. | .5 | .1 | .3 | .6 | .1 | .4 |
| Major importers | | | | | | |
| Indo. | 24.0 | 25.3 | -.4 | 25.8 | 25.1 | -.1 |
| S. Korea | 5.4 | 5.5 | +.1 | 5.7 | 5.7 | 0 |
| Bang. | 14.5 | 14.5 | -.6 | 14.4 | 15.0 | -.4 |
| Vietnam | 9.1 | 9.2 | -.1 | 9.0 | 9.3 | -.3 |
| O. Asia | 17.5 | 18.5 | -.9 | 17.1 | 18.7 | -.6 |
| USSR | 1.6 | 2.0 | -.4 | 1.6 | 1.9 | -.3 |
| Brazil | 6.1 | 6.3 | -.2 | 6.1 | 6.3 | -.2 |
| Other Latin Am. | 4.6 | 4.8 | --- | 4.7 | 4.7 | +.1 |
| Iran | .9 | 1.6 | -.7 | .8 | 1.6 | -.7 |
| Other N. Afr./ME | 1.9 | 3.7 | -1.8 | 1.8 | 3.7 | -1.9 |
| Malagasy | 1.4 | 1.5 | -.1 | 1.4 | 1.5 | -.1 |
| Nigeria | .9 | 1.6 | -.4 | .9 | 1.5 | -.5 |
| Other Africa | 1.7 | 3.7 | -2.1 | 1.9 | 3.9 | -2.1 |
| Residual | .5 | 2.7 | -1.8 | .5 | 1.8 | -2.2 |
| World | 307.0 | 307.1 | | 316.6 | 314.2 | |

Trade on calendar years; calendar 1984 corresponds to 1983/84. --- = negligible. F = forecast.

yields boosting milled output 6.5 million tons over last year. U.S. rice production rebounded from the PIK-reduced 1983/84 harvest with a gain of more than 1 million tons. Production in Thailand, the major U.S. export competitor, declined slightly from last year's large harvest.

Global rice trade will continue to shrink in 1985--perhaps 7 percent, to 11.6 million tons. Reduced import demand by Bangladesh, India, Indonesia, and Korea may lead to the lowest quantity traded since 1977. World ending stocks are forecast 14 percent higher than last year, largely because of stockbuilding policies in India, Indonesia, and Japan.

The strong U.S. dollar and high U.S. support prices have created the current price imbalance; U.S. rice costs over 60 percent more than comparable grades from Thailand (based on f.o.b. prices). U.S. rice exports for calendar 1985, currently forecast at 2.0 million tons, may be the lowest since 1976. [*Scott Reynolds (202) 447-8879*]

## Coarse Grains

Global coarse grain production in 1984/85 is up from last year, but trade may still increase about 12 percent and exceed 100 million tons for the first time since 1980/81. The U.S. market share will likely fall well below the average of 1980-83.

### *Global Production Attains Record*

Coarse grain production for 1984/85 is forecast at 797 million tons, up about 16 percent over 1983/84's below-par outturn. Most of the increase is in the United States, as foreign production is up only about 8 million tons.

China's production, about 95 million tons, is a record; agricultural policy changes (including higher producer prices and increased decisionmaking at the household level) boosted yields. West European production likewise rose sharply, as yields improved with ideal weather. EC barley production is more than 20 percent above last year. Australian and Argentine coarse grain production are both above average, at 8.5 million and 19.1 million tons, respectively.

Coarse grains: Production, consumption, and net exports

| Country | 1983/84 Prod. | 1983/84 Cons. | 1983/84 Net exp. | 1984/85 F Prod. | 1984/85 F Cons. | 1984/85 F Net exp. |
|---|---|---|---|---|---|---|
| | Million metric tons | | | | | |
| Major exporters | | | | | | |
| U.S. | 137.1 | 148.0 | 55.2 | 237.1 | 164.4 | 58.0 |
| Canada | 21.0 | 19.2 | 5.2 | 21.9 | 18.2 | 3.9 |
| Aust. | 9.3 | 3.0 | 5.5 | 8.5 | 3.1 | 5.6 |
| Arg. | 17.9 | 7.6 | 10.9 | 19.1 | 7.1 | 12.0 |
| Thailand | 4.3 | 1.3 | 3.4 | 4.9 | 1.4 | 3.4 |
| S. Afr. | 5.2 | 7.6 | -2.8 | 7.3 | 7.9 | -1.1 |
| Major importers | | | | | | |
| USSR | 105.0 | 114.5 | -11.9 | 84.0 | 109.0 | -26.0 |
| China | 91.3 | 91.3 | +.2 | 95.3 | 93.4 | +3.5 |
| E. Europe | 67.2 | 68.3 | -1.0 | 72.7 | 70.6 | -.5 |
| EC-10 | 64.0 | 68.0 | -1.4 | 74.8 | 67.5 | +3.3 |
| Other W. Europe | 22.0 | 30.7 | -6.9 | 29.2 | 31.1 | -4.2 |
| Brazil | 21.5 | 21.2 | -.4 | 21.0 | 21.6 | -.4 |
| Mexico | 13.8 | 18.4 | -5.8 | 13.8 | 19.1 | -5.1 |
| Venezuela | .8 | 2.4 | -1.6 | 1.0 | 2.6 | -1.8 |
| Other Latin Am. | 7.9 | 9.7 | -1.9 | 8.7 | 10.7 | -2.1 |
| Japan | .4 | 20.5 | -20.7 | .4 | 21.2 | -20.9 |
| Taiwan | .2 | 4.3 | -4.0 | .2 | 4.4 | -4.2 |
| S. Korea | .9 | 4.5 | -3.9 | 1.0 | 4.6 | -3.2 |
| O. Asia | 49.5 | 51.0 | -2.0 | 45.7 | 48.1 | -2.0 |
| Egypt | 4.3 | 5.8 | -1.5 | 4.4 | 6.2 | -1.7 |
| Iran | 1.3 | 2.2 | -1.1 | 1.3 | 2.6 | -1.3 |
| Israel | --- | 1.2 | -1.1 | .1 | 1.4 | -1.3 |
| Other N. Afr./ME | 15.0 | 24.4 | -9.1 | 13.6 | 23.8 | -10.2 |
| O. Afr. | 28.3 | 30.7 | -1.4 | 30.1 | 31.9 | -1.8 |
| Residual | .8 | 3.9 | -1.9 | 1.0 | 4.0 | -1.9 |
| World | 689.0 | 759.7 | | 797.1 | 775.9 | |

Production on crop year basis, trade on October-September year. Includes corn, barley, sorghum, oats, millet, rye, and miscellaneous grains. --- = negligible. F = forecast.

Poor weather reduced yields in a number of countries--notably the Soviet Union, where production was poor for the sixth consecutive year. South African production, although expected to be up about 2 million tons from last year, will show another low outturn because dry conditions and high temperatures earlier in the season decreased yield prospects. Although corn production in 1984/85 exceeds that of a year earlier, domestic supplies remain short of requirements.

### *World Trade Prospects Improved*

Grain trade by the major foreign exporters is forecast at over 25 million tons in 1984/85, close to last year. Canadian sales are down this year because of a second consecutive reduced barley harvest and

minimal barley stocks. EC exports, in contrast, are a record. High production in other nations has brought total West European exports above 9 million tons for the first time. Thai exports, at 3.4 million tons, are about the same as in 1983/84. China's sales are forecast at a record 3.6 million tons--including sales to Japan, South Korea, and the Soviet Union.

One of the main reasons that trade is so high in 1984/85 is record-setting purchases by the Soviet Union. USSR coarse grain imports are estimated at 26 million tons---more than double each of the last 2 years. South African imports, estimated around 1 million tons, reflect this year's poor production. No stockbuilding is forecast for either country. South African exports, which approached 5 million tons in 1981/82, are forecast at only 100,000--cross-border trade only.

Most imported coarse grain is targeted for boosting livestock production, although Japan will likely maintain only the limited growth of recent years. EC corn imports from the United States, on the other hand, are destined for starch production, as domestic corn supplies are relatively low quality and insufficient to meet industrial demands.

Mexican imports of corn and sorghum, forecast at just over 5 million tons in 1984/85, are down somewhat from last season, as larger domestic production has permitted a modest rebuilding of inventories. Japanese imports are expected to remain at about 21 million tons.

### *U.S. Coarse Grain Exports Up*

U.S. coarse grain exports are expected to increase to 58.8 million tons in 1984/85, compared with under 56 million a year ago. Massive Soviet purchases from the United States have offset heightened competition from other traditional and nontraditional coarse grain exporters. Although below the record, U.S. sorghum sales, forecast at 7 million tons, are 13 percent above last year. [*James Cole (202) 447-8857*]

## Oilseeds

Large oilseed and protein meal supplies, slow livestock growth, and a strong dollar are limiting U.S. exports of soybeans and soybean meal. Thus, the U.S. share of world trade in the soybean complex may drop in 1984/85 because of large gains in foreign exports. World attention is now focusing on South America, because harvesting is underway and there may be policy changes which will affect world trade.

World oilseed production in 1984/85 is expected to gain 12 percent from 1983/84.

Soybeans and products: Production, consumption, and net exports

| Country | 1983/84 | | | 1984/85 F | | |
|---|---|---|---|---|---|---|
| | Prod. | Cons. | Net exp. | Prod. | Cons. | Net exp. |
| | Million metric tons | | | | | |
| Soybeans | | | | | | |
| Major exporters | | | | | | |
| U.S. | 44.52 | 26.75 | 20.15 | 50.64 | 27.76 | 19.32 |
| Brazil | 15.40 | 12.51 | 1.59 | 15.70 | 12.50 | 2.2 |
| Arg. | 6.40 | 2.98 | 2.97 | 6.60 | 3.70 | 2.5 |
| China | 9.76 | 3.75 | .70 | 9.70 | 3.74 | .70 |
| Major importers | | | | | | |
| EC-10 | .16 | 9.08 | -9.13 | .15 | 9.01 | -9.12 |
| Japan | .22 | 3.83 | -4.73 | .22 | 3.89 | -4.60 |
| Spain | 0 | 2.80 | -2.70 | 0 | 2.63 | -2.65 |
| E. Eur. | .76 | 1.23 | -.84 | .71 | 1.25 | -.78 |
| Mexico | .60 | 1.95 | -1.44 | .55 | 2.00 | -1.60 |
| Taiwan | .01 | 1.10 | -1.34 | .01 | 1.20 | -1.40 |
| USSR | .56 | 1.35 | -1.00 | .50 | 1.37 | -1.10 |
| Residual | 3.75 | 5.47 | -4.23 | 4.94 | 6.68 | -3.47 |
| World | 82.34 | 72.80 | | 89.72 | 75.13 | |
| Soybean meal | | | | | | |
| Major exporters | | | | | | |
| U.S. | 20.65 | 15.91 | 4.93 | 22.17 | 17.19 | 4.72 |
| Brazil | 9.70 | 1.09 | 7.71 | 9.70 | 2.00 | 7.55 |
| Arg. | 2.37 | .20 | 2.20 | 2.90 | .23 | 2.45 |
| Major importers | | | | | | |
| EC-10 | 7.26 | 14.48 | -7.04 | 7.18 | 14.11 | -7.02 |
| E. Eur. | 1.15 | 4.33 | -3.52 | 1.11 | 4.31 | -3.19 |
| USSR | 1.03 | 1.83 | -.80 | 1.04 | 1.79 | -.75 |
| Japan | 2.96 | 3.03 | -.18 | 3.01 | 3.17 | -.10 |
| Mexico | 1.42 | 1.48 | 0 | 1.46 | 1.61 | -.08 |
| Residual | 10.40 | 13.90 | -3.73 | 10.94 | 14.65 | -3.58 |
| World | 56.94 | 56.85 | | 59.51 | 59.06 | |
| Soybean oil | | | | | | |
| Major exporters | | | | | | |
| U.S. | 4.93 | 4.35 | .82 | 5.17 | 4.40 | .68 |
| Brazil | 2.35 | 1.50 | .99 | 2.35 | 1.55 | .88 |
| Arg. | .49 | .08 | .38 | .61 | .09 | .47 |
| EC-10 | 1.61 | 1.40 | .36 | 1.58 | 1.32 | .35 |
| Spain | .49 | .06 | .45 | .47 | .07 | .41 |
| Major importers | | | | | | |
| India | .09 | .74 | -.75 | .12 | .82 | -.55 |
| Pak. | 0 | .35 | -.38 | 0 | .34 | -.30 |
| E. Eur. | .25 | .32 | -.17 | .24 | .38 | -.20 |
| Iran | .01 | .31 | -.31 | .02 | .30 | -.30 |
| Morocco | 0 | .18 | -.17 | 0 | .18 | -.16 |
| Residual | 2.77 | 4.08 | -1.78 | 2.88 | 4.12 | -1.28 |
| World | 12.99 | 13.37 | | 13.42 | 13.57 | |

For soybeans, consumption refers to crush. Trade and consumption on marketing year except for Brazil and Argentina which are on an October-September year. F = forecast.

Foreign soybean production is forecast 3 percent above a year earlier. Large gains in cottonseed, especially in Asia, and rapeseed are also boosting the total volume.

Protein meal disappearance is forecast to increase sharply because of the large gain in the production of oilseeds. However, in countries that normally import oilseeds, these plentiful supplies will substitute for at least some imported soybeans and soybean meal.

*U.S. Exports To Decline*

In the EC, the dairy quota policy and the enormous year-to-year gains in grain, oilseed, and some nongrain feed supplies are reducing this year's need for imported soybeans and products. Like last year, Argentina is expected to ship large quantities to West Europe. The overwhelming strength of the U.S. dollar, vis-a-vis foreign currencies, also is hampering U.S. exports.

Some growth in Soviet protein meal use is expected, based on livestock numbers. However, the Soviet Union will likely utilize protein meal from a myriad of sources, including soybeans from China, imported and domestic fishmeal, some Indian peanut meal, and perhaps some soybean meal from Eastern Europe, especially Bulgaria. Eastern Europe's protein meal requirements are growing steadily, as indications of a recovery in that region may ease the severe feed shortages of the past few years.

Japan's 1984/85 imports of soybeans are being supplied by the United States, China, and South America. Total soybean meal needs, however, may not increase much because Japan's soybean meal stocks are large and the fish catch is up. Mexico, a major buyer of U.S. soybeans and sunflowerseed, is expected to increase soybean imports and build stocks under a new importing policy.

The United States may face stiff competition from South American supplies for the remainder of the year. U.S. exports of both soybeans and soybean meal are forecast to decline 4 percent from last year. Recent prices for Brazil's soybean meal for future delivery are substantially below U.S. future prices, even though U.S. prices are already sharply reduced. Brazil's austere agricultural policy measures may lead to increased soybean exports rather than meal, while product exports from Argentina are expected to increase as a result of the opening of new crush facilities.

*Oil Prices Remain Firm*

The global vegetable oil sector has been the stronger element of the oilseed complex. The tight supply situation for vegetable oils in 1983/84 has not been completely alleviated thus far in 1984/85 because the lack of meal demand is limiting oilseed crushing.

U.S. soybean oil exports, despite high export values, have been strong but are forecast to drop below last year due to poor crushing activity. The USSR bought 40,000 tons of U.S. soybean oil recently because of a sharp drop in Soviet sunflowerseed output, and total Soviet vegetable oil purchases should be high in 1984/85. Also, India and Pakistan bought large amounts of U.S. soybean oil in the last few months of calendar 1984, when oils were in short supply.

Brazil's exports of soybean oil will decline again in 1984/85 because of domestic needs and policy attempts to keep food prices from rising too sharply. Now that palm oil supplies have increased, the differential between palm oil and soybean oil has widened. The rate of palm oil production for the remainder of the year will greatly influence the oilseed complex. Some of India's and Pakistan's requirements for the remainder of 1984/85 may be met from palm oil rather than from soybean oil. [Jan Lipson (202) 447-8855]

## Meat

Global meat production is forecast to rise 1 percent in 1985, the same as last year. Some easing of feed prices could help producers' returns, especially in the poultry and hog sectors; however, small gains in consumer incomes could limit meat demand. For the year, gains in poultry meat and pork are forecast to more than cover declines in beef and veal output. Last year, the greatest expansion was in beef, followed by poultry meat.

*Beef Output May Fall*

Global cattle inventories during 1984 fell marginally, as gains in the USSR, India, and South America offset declines in the United States and the EC. Beef and veal production increased 2 percent last year. Although output in 1985 is forecast to be below 1984, it will still be large.

Attempts by the EC to control dairy surpluses are reducing the cattle herd and future production capacity. In the EC, the dairy herd supplies most of the beef—either through calves retained for beef production or culling of cows. As dairy herds were cut in 1984, beef production increased sharply. But, output this year may be below 1984 as culling of dairy cows decreases.

Inventories in the United States were reduced mainly because of poor financial returns, additional cattle slaughter to generate cash flow, and drought in some areas. Beef production rose in 1984 because of the heavier slaughter, but output is likely to fall this year as cow slaughter declines.

Argentina began a period of herd retention 2 years ago, but may show a slight liquidation in 1985 as cattle producers market more cattle to improve their cash flow. Higher taxes on cattle, high interest rates (which keep producers from borrowing and making long-term investments), Government attempts to keep domestic prices down, and poor export markets all paint a bleak picture for Argentine cattle producers. The world beef export market is currently facing a period of low prices and abundant EC exports.

In Australia and New Zealand, herd growth should continue as some producers find other alternatives less profitable. The USSR also continues to build inventories, although feed problems have caused some slowing of expansion.

*Pork Output Could Pick Up*

World hog numbers dropped 1.1 million head during 1984, mainly because of declines in the United States, the EC, and Mexico. Continued liquidations are expected this year in the EC, although improving hog/feed price ratios may slow the liquidation. Pork output in 1984 rose marginally; gains in China, the USSR, West Germany, and Taiwan covered declines in the United States, Mexico, Poland, and Brazil. A 1-percent increase is forecast for 1985, as pork output picks up in China, the USSR, Poland, and Denmark. There will be declines in the United States, Mexico, and France.

The EC pig inventory declined last year. Low prices coupled with high costs discouraged producers, particularly in France. Denmark increased herds, since it was able to ship pork on the international market once again, after elimination of hoof and mouth disease. Some increase in France is expected this year. However, recovery will come more

Beef and veal production

| Country | 1982 | 1983 | 1984 P | 1985 F |
|---|---|---|---|---|
| | 1,000 metric tons | | | |
| United States | 10,425 | 10,748 | 10,925 | 10,587 |
| Canada | 1,032 | 1,036 | 1,000 | 970 |
| Mexico | 1,381 | 1,229 | 1,318 | 1,381 |
| Argentina | 2,579 | 2,384 | 2,570 | 2,670 |
| Brazil | 2,400 | 2,400 | 2,200 | 2,300 |
| France | 1,698 | 1,764 | 1,972 | 1,889 |
| Germany, Fed. Rep. | 1,471 | 1,487 | 1,609 | 1,680 |
| Italy | 1,107 | 1,149 | 1,155 | 1,140 |
| Total EC-10 | 6,601 | 6,849 | 7,401 | 7,199 |
| Eastern Europe | 2,465 | 2,474 | 2,515 | 2,456 |
| USSR | 6,618 | 7,011 | 7,100 | 7,200 |
| Australia | 1,677 | 1,389 | 1,241 | 1,270 |
| Other | 5,655 | 5,635 | 5,541 | 5,601 |
| Total | 40,833 | 41,155 | 41,811 | 41,634 |

P = preliminary. F = forecast.

Pork production

| Country | 1982 | 1983 | 1984 P | 1985 F |
|---|---|---|---|---|
| | 1,000 metric tons | | | |
| United States | 6,454 | 6,894 | 6,713 | 6,532 |
| Canada | 833 | 852 | 860 | 852 |
| Mexico | 998 | 1,136 | 939 | 866 |
| Germany, Fed. Rep. | 2,670 | 2,731 | 2,744 | 2,795 |
| France | 1,610 | 1,505 | 1,625 | 1,562 |
| Netherlands | 1,165 | 1,201 | 1,258 | 1,300 |
| Total EC-10 | 9,417 | 9,725 | 9,767 | 9,873 |
| Eastern Europe | 6,435 | 6,632 | 6,844 | 6,870 |
| USSR | 5,265 | 5,760 | 5,900 | 6,100 |
| China | 12,718 | 13,161 | 13,300 | 13,600 |
| Japan | 1,427 | 1,429 | 1,430 | 1,465 |
| Other | 5,107 | 5,277 | 5,383 | 5,483 |
| Total | 48,654 | 50,866 | 51,136 | 51,612 |

P = preliminary. F = forecast.

slowly for other EC countries, particularly since they will be faced with a continued beef surplus. The Netherlands, the EC's third largest pork producer, has steadily gained in pig numbers and pork output, but any future growth will be limited. To counter pollution problems (also facing some East Asian countries), the Dutch Government has limited or prohibited expansion of hog and poultry production facilities.

*Lower Feed Costs Benefit Poultry*

Poultry meat production, which can most quickly take advantage of any drop in feed prices, is forecast to increase 4 percent in 1985, compared with 2 percent in 1983 and 1984. Most of last year's gain came in the United States, Poland, and in major importers such as the Soviet Union, Japan, Iraq, and Saudi Arabia. Production increases in these major importers lowered world import demand for poultry in 1984. As a result, production fell slightly in Brazil and France. Although output in the major importers will again climb in 1985, there could be some growth in world export demand.

The U.S. poultry industry will benefit not only from lower feed prices in 1985, but also from smaller supplies of other meats. With a projected increase of 6 percent, poultry meat is expected to cover declines in beef and pork.

Japan increased broiler production 7 percent last year, but a more modest gain is expected in 1985, in an attempt to keep chicken prices from weakening further. Last year, Japan saw a 2-percent gain in chicken consumed in the home and dramatic gains in popularity of chicken nuggets for fast food restaurants. Similarly, in Canada heavy demand from the fast food industry for further processed chicken enabled broiler production to expand 8 percent in 1984. Slightly slower growth is forecast for this year. [Linda M. Bailey (202) 447-4863]

Poultry production

| Country | 1982 | 1983 | 1984 P | 1985 F |
|---|---|---|---|---|
| | 1,000 metric tons | | | |
| United States | 7,037 | 7,192 | 7,449 | 7,944 |
| Canada | 527 | 537 | 565 | 589 |
| Mexico | 561 | 538 | 560 | 570 |
| Brazil | 1,596 | 1,580 | 1,450 | 1,520 |
| France | 1,330 | 1,284 | 1,257 | 1,272 |
| Total EC-10 | 4,368 | 4,293 | 4,275 | 4,350 |
| Eastern Europe | 1,754 | 1,766 | 1,824 | 1,847 |
| USSR | 2,425 | 2,596 | 2,675 | 2,800 |
| Japan | 1,209 | 1,257 | 1,333 | 1,365 |
| Other | 3,422 | 3,703 | 3,806 | 3,939 |
| Total | 22,899 | 23,462 | 23,937 | 24,924 |

P = preliminary. F = forecast.

## Cotton

*Current Crop Record Large*

Dramatic increases in area and yield have produced a record 84.3-million-bale world cotton harvest, up 25 percent from last year's problem-plagued outturn. China is expected to post a 6.6-million-bale improvement over 1983/84, culminating in a cotton crop of 27.9 million bales. The United States will show a 71-percent expansion in production because of an increase in acreage and yields.

Most major exporters have also rebounded from last year--for example, Pakistan will more than double its 1983/84 harvest. The USSR had another disappointing year. Poor weather and perhaps reporting changes in light of a falsification scandal led to the lowest

Cotton: Production, consumption, and net exports

| Country | 1983/84 Prod. | 1983/84 Cons. | 1983/84 Net exp. | 1984/85 F Prod. | 1984/85 F Cons. | 1984/85 F Net exp. |
|---|---|---|---|---|---|---|
| | Million 480-lb. bales | | | | | |
| Major exporters | | | | | | |
| U.S. | 7.8 | 5.9 | 6.8 | 13.3 | 5.3 | 6.0 |
| USSR | 12.3 | 9.3 | 2.8 | 11.7 | 9.5 | 2.2 |
| Pakistan | 2.2 | 2.0 | 0 | 4.5 | 2.3 | 1.1 |
| Egypt | 1.9 | 1.3 | .7 | 1.8 | 1.4 | .4 |
| Turkey | 2.4 | 1.8 | .6 | 2.7 | 1.8 | .6 |
| Cent. Amer. | .7 | .1 | .6 | .7 | .1 | .6 |
| Sudan | 1.0 | .1 | 1.1 | 1.0 | .1 | 1.0 |
| Brazil | 2.6 | 2.4 | 0 | 3.7 | 2.6 | .4 |
| Mexico | 1.0 | .5 | .5 | 1.3 | .6 | .6 |
| India | 5.9 | 6.5 | .3 | 6.5 | 6.5 | 0 |
| China | 21.3 | 16.0 | .5 | 27.9 | 16.5 | 1.1 |
| Major importers | | | | | | |
| W. Europe | .7 | 5.7 | -4.7 | .9 | 5.8 | -4.7 |
| Japan | --- | 3.3 | -3.3 | --- | 3.3 | -3.3 |
| E. Europe | .1 | 3.5 | -3.5 | .1 | 3.6 | -3.6 |
| S. Korea | --- | 1.6 | -1.6 | --- | 1.6 | -1.6 |
| Taiwan | --- | 1.2 | -1.2 | --- | 1.2 | -1.2 |
| Hong Kong | --- | .8 | -.8 | --- | .8 | -.8 |
| Residual | 7.7 | 6.7 | 1.2 | 8.2 | 6.7 | 1.2 |
| World | 67.6 | 68.7 | | 84.3 | 69.7 | |

Year beginning August 1, consumption is mill use.
--- = negligible. F = forecast.

cotton production in a decade. However, the quality of the Soviet crop is estimated to be above normal because of increased hand picking.

Sharp production gains are not going to be reflected in equally outstanding mill use estimates. Year-to-year consumption growth will be about 1.0 million bales or 1.5 percent, with all the expansion in the foreign sector. The United States will experience a 10-percent decline in mill use, as textile imports increase their share of the domestic market. China, Pakistan, and the USSR will comprise most of the increase in world consumption.

The major textile exporting countries are observing only moderate demand for their products. As a consequence, there will continue to be little incentive for capital investment in machinery or raw cotton inventories. Raw cotton exporters will be forced to hold large stocks or continue to offer substantial discounts on their sales. However, the price discounts are not stimulating significant buyer interest.

Pakistan will resume its status as an important cotton exporter in 1984/85 because of its bumper crop and the need for foreign exchange. China has become a major force in trade circles, and its large surpluses will mean that it will be one of the top three exporters for several years to come.

The USSR will export 3.2 million bales and continue to be the world's second largest exporter, next to the United States, even though the Soviets' exports have been declining since 1981/82. The perennial recipient of Soviet exports is Eastern Europe, usually taking more than one-half. Some of Eastern Europe's cotton imports from the USSR will be transshipments from other exporters. The USSR is expected to import around 1 million bales this year.

*Large Supplies Depress Prices*

As production outpaces consumption, stocks increase proportionately. Ending stocks of 38.7 million bales, representing more than one-half of annual consumption, are estimated for 1984/85. China will hold nearly one-half of these stocks, implying a stocks-to-total-use ratio of 1.02. Global prices likely will remain under pressure throughout the marketing year and into the 1985/86 season, a symptom of the market glut.

U.S. spot market prices for cotton are sitting on the loan rate of 55 cents per pound, when storage and transportation costs are considered. Prices are the lowest since the fall of 1982. However, even at this low level, foreign exporters are able to undercut U.S. prices and capture more of the international market. The United States' share of world exports may decline from an unusually high 35 percent (6.8 million bales) in 1983/84 to a near-normal 31 percent (6.5 million bales) in 1984/85. [*Richard Cantor (202) 447-8054*]

## REGIONAL DEVELOPMENTS

### United States

*Output To Remain High, Prices Low*

The outlook for agriculture this year includes the likelihood of continued large crops and only a slight decline in meat production. Export volume and value will slip. Agricultural imports will edge higher, so the net U.S. agricultural trade surplus will narrow. The economy continues to perk along, although some slowing is expected. Thus, farmers will be confronted with many of the same problems as last year--increases in demand for agricultural products will not be strong enough to outweigh the impact of continued large crop and livestock production. Farm prices will run lower, especially for major field crops.

Crop production rebounded in 1984 from the drought- and PIK-reduced 1983 crop, putting downward pressure on prices late in the year. Livestock output remained large as farmers responded to poor returns and spotty drought by cutting back on hog breeding inventories. A new program to limit milk production also added to meat supplies. Agricultural exports were rather lackluster, but higher prices early in the marketing year and a surge in Soviet purchases in the summer boosted total value.

The general economy made solid advances in 1984 and added to the demand for

agricultural products. However, small gains in domestic use and a stronger economy were not able to offset the impact of abundant crop harvests and a strong dollar. Financial stress became more common in the agricultural sector as highly leveraged farmers were confronted with declining land values, high interest costs, and crop prices edging toward loan rates. [*Donald Seaborg (202) 447-8376*]

## Canada

In 1984, the Canadian economy recorded its best performance in over a decade. Real GNP grew 4.5 percent, and inflation slowed to 4.4 percent. But developments in the agricultural sector were mixed. Boosted by higher payments from crop insurance and Government stabilization programs, net farm income increased 14 percent, but farm foreclosures reached a new high. The Government's farm credit agency estimates that almost one-fifth of farmers are experiencing some financial difficulty.

### *Crop Area To Expand in 1985*

Reduced grain supplies have limited exports during 1984/85. Wheat exports are forecast to drop more than 20 percent, and barley by almost half. Ending stocks will be at pipeline levels. However, low stocks will likely lead to an increase in grain area in western Canada. Wheat area could expand to 13.5 million hectares. Area seeded to winter wheat last fall more than doubled. Barley acreage may increase at the expense of rapeseed, which could stabilize after 3 years of steady expansion. Moisture conditions in the Prairie Provinces are much improved from last year at this time, which should encourage plantings.

Canadian Wheat Board payments to producers

| Crop | 1980/81 | 1981/82 | 1982/83 | 1983/84 |
|---|---|---|---|---|
| | Can$/metric ton | | | |
| Wheat | | | | |
| Initial | 156.16 | 174.50 | 174.50 | 170.00 |
| Total | 222.12 | 199.62 | 192.34 | 193.98 |
| Barley | | | | |
| Initial | 124.01 | 124.00 | 110.00 | 95.00 |
| Total | 146.55 | 132.84 | 110.00 | 138.02 |
| Oats | | | | |
| Initial | 68.08 | 110.00 | 90.00 | 75.00 |
| Total | 125.39 | 110.00 | 99.53 | 106.61 |

The Canadian Wheat Board distributed final payments to producers for the 1983/84 marketing year in early 1985. Total payments increased from the previous year, but actual returns to farmers may have declined because of higher freight rates for grains and oilseeds.

### *Cattle Inventories Drop*

The January 1 livestock inventory showed a decline of almost 4 percent in cattle numbers. Hog numbers increased only slightly, as expansion in the west was offset by a decline in the east. Red meat production is expected to fall in 1985, but poultry production will stay high. [*Carol Goodloe (202) 447-8378*]

## Western Europe

Current indications are that U.S. agricultural exports to Western Europe will decline again, to $7.9 billion in FY 1985. This is a 15-percent drop from the $9.3 billion in FY 1984 and only two-thirds of the record reached in FY 1982. Declines are expected in the major commodity groups of grains and feeds, oilseeds and products, and animals and products, in both the EC and non-EC Western Europe. Continued slowness in economic recovery, a record 1984 grain crop in Western Europe, and the high value of the U.S. dollar are the main causes of the decline.

Western Europe has experienced an unusually cold winter. Significant damage occurred to citrus and vegetable production in Spain and Portugal.
Farmers in northern Europe are concerned about damage to their winter grains and rapeseed. Although the extent of the winterkill is uncertain, some limited replanting with spring grains is expected. A good snow cover protected the crops during some of the freezes.

### *EC Milk Quotas Reduce Output*

The EC's milk production quotas appear to be successful in cutting output. During the first 9 months of the milk marketing year, milk deliveries fell 4 percent, nearly at the targeted 4.1 percent for the whole marketing year. The EC has been less successful, however, in collecting a super-levy assessed

on producers (or dairy processing plants) when deliveries exceed assigned quota. Collection of the levies on over-quota production--originally scheduled for April-September and then for October-December--has again been postponed.

Some member countries indicated their intention not to comply with established EC guidelines on payment of the levy. It now appears that the super-levy will not be collected until after the end of the milk marketing year. Although the EC Commission is keen on maintaining the credibility of the levy collection system, it has already identified certain areas in the program where changes might be made to accommodate member state concerns.

*EC Farm Support Prices Are Major Issue*

The EC Commission's 1985/86 farm price proposals call for an overall modest price reduction of 0.3 percent in terms of ECU's (European Currency Units). However, when the ECU's are converted to national currencies, prices would increase overall 0.1 percent. In national currencies, price changes would increase for some countries and decline for others.

The EC Commission has proposed intervention support price cuts in 1985/86, in ECU's, for common wheat, barley, and corn (3.6 percent); rye (4.4 percent); colza and rapeseed (3.6 percent); and sunflowerseed (1.5 percent). Price cuts are also recommended for butter, selected fruits and vegetables, and selected tobaccos. A price freeze is recommended for Durum wheat, sugarbeets, beef and veal, mutton and lamb, pork, and wine. Price increases are recommended for olive oil and cotton (2 percent) and soybeans (1 percent). Soybeans are produced in only minor quantities in the EC. A 1.5-percent target price increase is recommended for milk. The commission is proposing that the intervention price for butter be lowered 4 percent and skimmed milk powder prices raised 6.8 percent.

The Commission's price proposal must be approved by the EC Council. Historically, the Council has not been constrained by Commission proposals in the political give-and-take of reaching agreement on a price package. However, given the general supply-demand imbalance in world commodity markets, and the pressure on the EC budget, the Council is expected to exercise a "prudent price policy" for 1985/86. However, many farm groups throughout the EC have already voiced strong criticism of the Commission's price proposals, and the West German Minister of Agriculture, as well as the European Parliament, have expressed their strong opposition to a reduction in grain prices.

The predominating concern of the EC's common agricultural policy is the maintenance of politically acceptable farm incomes. Preliminary estimates for 1984 show that real income for all persons employed in agriculture increased a little over 2 percent for the EC as a whole. The large crop harvest in 1984, despite lower prices, boosted farm income. Producer prices, in real terms, declined in all EC member countries except Denmark and Greece, where they increased, and in the Netherlands, where they were stable. Increases in real input prices in the EC averaged 2.8 percent, about the same as in 1983.

A major unresolved issue facing EC member countries is agreement among themselves and with Spain and Portugal on the conditions for the latter's admission to the Community in 1986. Negotiations have been difficult. Fruit and vegetable producers in Italy and southern France are concerned about competing with Spain, while the small livestock producers in Spain and Portugal are concerned about the strong competition from northern Europe.

The prospect of Spanish competition prompted formulation of an Integrated Mediterranean Program (IMP) designed to enhance competitiveness in current EC Mediterranean areas, within the context of redressing the longstanding budgetary imbalance favoring northern over southern EC products. However, recent demands by Greece to increase funding for the IMP beneficial to Greece has slowed negotiations. It is likely that some of the more intractable issues between the EC and Spain will remain unresolved when Spain joins and that resolution will be sought during a long transition period. [*Reed E. Friend (202) 447-6809*]

## Australia

Weather has been generally favorable for crop and livestock production in 1984/85, but it has not matched the exceptionally good conditions in the eastern states last year. Therefore, agricultural output is estimated down slightly. Gross value of output will remain near the 1983/84 record, while farm costs are accelerating. Thus, net farm income will decline.

The financial situation of Australian farmers varies substantially across industries. Wheat producers benefited greatly from last year's record crop and are harvesting another bountiful crop. Because of the weakening Australian dollar, which raises returns from export sales, wheat prices received by farmers may increase marginally in 1984/85. Incomes of extensive livestock producers are rising because of improving prices for beef and wool. Cotton is a highly profitable crop in Australia. However, dairy, rice, and sugar farmers are being squeezed by depressed world prices and rising costs.

*Wheat Output High; Summer Crops Expand*

Wheat production declined to 18.5 million tons, but it is the second largest crop ever and excellent in quality. Over 7 million tons of wheat were carried into 1984/85, and handling capacity will probably be a major constraint on export volume again this year. Exports are forecast at 15 million tons, and carryover stocks will remain burdensome.

Dry sowing conditions for the winter grain crop diverted some area to summer crops. Relative returns also favored oilseeds and cotton. Sorghum area rose 12 percent. Oilseed area jumped 57 percent; sunflowerseed plantings doubled and would have expanded more had seeds been available.

*Excellent Pastures Boost Herds*

Expectations of improved prices encouraged cattle producers to rebuild herds for the first time since 1976. Numbers on March 31, 1985, are estimated at 22.5 million, 700,000 above a year earlier.

A favorable outlook for wool and the depressed mutton market caused sheep producers to continue substantial herd rebuilding. March 1985 sheep numbers are estimated at 144 million, 11 million above March 1983. [*Sally Byrne (202) 447-8376*]

## Japan and Other East Asia

U.S. agricultural exports to Japan and other East Asia (South Korea, Taiwan, and Hong Kong) are forecast to fall to $9.7 billion in fiscal 1985, after hitting a record $10.6 billion last year. The decline is attributed to weaker commodity prices, slower economic growth in the region, and stepped up competition from other exporters.

Economic growth is expected to slow after robust performances by most of the region's countries last year. This will affect the region's income-sensitive livestock sectors and growth in demand for imported feedstuffs. Growth in the Japanese economy is expected to fall below 5 percent this year, from 5.6 in 1984. Taiwan's expansion is also expected to slow, to 7 percent, from 11 last year. South Korea will equal last year's 7.5-percent growth.

*Imports of Coarse Grain Flat*

The region's imports of coarse grain in 1984/85 are forecast at 28.7 million tons, unchanged from the year before. The principal causes for the static import demand are slower growth in the region's poultry meat and egg industries and reduced hog feeding because of herd liquidation in Taiwan and South Korea. In addition, the region is drawing down stocks that were built up earlier in reaction to the 1983 U.S. drought and the PIK program. The region is also importing favorably priced feed wheat from Australia.

Competition for the region's large feed grain market should be fairly keen this year. U.S. exports are forecast slightly below last year's 21.8 million tons because of increased or continued competition from PRC corn, Australian sorghum and feed wheat, and Argentine sorghum, and the release of Government-controlled barley in South Korea and rice in Taiwan.

*Rice Supplies Improved*

East Asian rice production recovered significantly in 1984, Japan had its best crop

since 1979, and South Korea its best since 1978. However, Taiwan's production was off 200,000 tons because of a diversion program, initiated in 1984, that shifted 45,000 hectares of paddy area into production of other crops. Hong Kong is the only country in the region expected to import rice in 1984/85. North Korea and Taiwan will export a total of 550,000 tons, with major destinations the Soviet Union for North Korea and Indonesia for Taiwan. A March 1984 agreement with the United States limits Taiwan's rice exports in 1985 to 300,000 tons. [*William T. Coyle (202) 447-8229*]

## USSR

Overwintering conditions for 1985 Soviet winter grain crops are better than they were this time last year. Extremely cold temperatures, even by European USSR standards, have apparently caused no serious damage to winter grains because of good snow cover through most of the European USSR. Furthermore, this winter, precipitation was higher than last year in several key areas. Potential soil moisture recharge in the Black Soil Zone and eastern Kazakhstan is significantly above last year at this time. Snowfall has been heavy in the 1984 drought area of Volga Valley.

Another positive factor in the outlook is that seed supplies appear adequate. The Soviets plan to increase the area cultivated with modern technology (including improvement in agrochemical use) for grain, forage, and a number of other crops. On the negative side, during this spring the Soviets need to complete much of the plowing and top dressing that was not accomplished last fall and this may delay crop sowing.

The unusually severe winter weather, combined with tight feed supplies, resulted in a larger-than-normal drawdown of hog and poultry numbers in December and January. The decline in cow inventories in the last year probably indicates that the long-discussed shift to more intensive production is finally being implemented. Traditionally, farm performance has been evaluated partly on whether inventories have increased over the year. However, in 1984, planners eliminated the requirement of maintaining cow inventories for farms in certain areas of the USSR.

The 1984 meat production figure reported by the Soviets is lower than that anticipated by many Western analysts, based on available feed supplies, reports of socialized sector production, and state meat procurements. In each of the last 2 years, initial meat production figures were subsequently revised upward.

The Soviets imported record amounts of grain from July through December to maintain feed supplies in the face of the low domestic grain, hay, and oilseed harvests. U.S. exporters, as major participants in this market, have already committed almost 17 million tons of grain to the USSR in the first half of the current agreement year (October/September). This exceeds U.S. grain exports to the USSR for the entire previous agreement year.

Agriculture did not contribute to the 2.6-percent growth in national income that the Soviets reported for 1984. According to Soviet reports, gross agricultural output in 1984 remained at the previous year's level, as the low outturn in major crops, including grain, cotton, and sunflowerseed, canceled out the gains in the livestock sector. Fuel conservation received considerable attention in 1984 and may have contributed to lower grain production and quality because of shortcuts taken in harvesting and drying. [*Kathryn Zeimetz (202) 447-8654*]

## Eastern Europe

Eastern Europe's economy has continued to recover from the downturn of the early 1980's. In 1984, national income was up approximately 5 percent from 1983, and performance exceeded planned targets in all countries except Yugoslavia, which just met its target. The German Democratic Republic (GDR), Poland, and Romania reported the largest increases. However, the Polish and probably Romanian economies were still performing below the late seventies.

### *Output Up from 1983*

Both agricultural and industrial output increased. Spurred by record grain and oilseed production, farm output exceeded the plan in every country except Yugoslavia. Gross agricultural production in the region was an estimated 6 percent higher than in 1983.

Industrial production was above plan in every country, ranging from 3 percent in Hungary to 7 percent in Romania.

Grain production is estimated at 115 million tons, 12 percent above 1983 output and a record. All countries likely registered record production except Bulgaria. Higher wheat output accounted for most of the increase; wheat production rose an estimated 20 percent, while coarse grains gained only 8 percent. Combined production of rapeseed, soybeans, and sunflowerseed was also a record at approximately 4.7 million tons, 18 percent higher than in 1983.

The livestock sector expanded much more slowly than crop output. Cattle numbers rose less than 1 percent to 37.9 million head. The increase was similarly small for hog numbers, which moved up to 73.8 million, but poultry numbers posted a 2-percent rise to 477.4 million. Meat production rose only slightly to an estimated 11.8 million tons because of continued emphasis on livestock feed self-sufficiency and Poland's very slow recovery from the herd drawdowns of the early 1980's.

The record grain crop should increase exports substantially. Grain imports will likely fall to between 6.7 and 7.2 million tons in 1984/85 (7.8 million in 1983/84). Exports could rise to about 7 million tons from 5.4 million, largely because of higher wheat sales. Oilseed meal imports should be little changed from 1984's estimated 4.4 million tons. Oilseed imports, however, should fall from the 900,000 tons purchased last year because of 1984's excellent crop.

*U.S. Exports Decline*

U.S. farm sales suffered once again from the region's restrictive import policies. Agricultural exports in 1984 were $757 million, down from $839 million in 1983. Exports to all countries except Czechoslovakia and Romania were down last year. U.S. grain exports to Eastern Europe dropped to 1.1 million tons, from 1983's 1.5 million. Soybean meal shipments plunged 28 percent to 410,000 tons, but soybean exports rose 8 percent to 780,000 tons.

U.S. agricultural exports to Eastern Europe are forecast at $6.95 million, 6 percent below FY 1984. Plans for 1985 continue the theme of 1984: improvement in trade balances; more efficient use of inputs; development of the domestic raw material supply, including agriculture; and improvements in production technology. In Poland, officials are still striving to reach the economic level of the late 1970's and are emphasizing expanded exports, stable investment, and per capita real income. [*Robert Cummings (202) 475-3827*]

## China

Because of the unexpected surge in China's grain, cotton, and oilseed crops in the last 3 years, sales of U.S. agricultural products to China for FY 1985 are forecast to decline from last year's already low total. Moreover, China's coarse grain exports are estimated to rise remarkably.

*Record Crop Again in 1984*

Estimates now put the 1984 total grain crop, including soybeans and tubers, at 407 million tons, a 5.1-percent increase over 1983's record and about 82 million tons over 3 years ago. The biggest gain came in wheat, which reached 87.7 million tons, 7.7 percent over the previous year. Rice and coarse grains also grew to 178.1 million and 95.3 million tons, respectively, gaining 5.5 and 4.4 percent.

Cotton production reached 27.9 million bales (6.1 million tons) in 1984, an increase of almost 31 percent from the previous year. Total oilseed outturn grew to 32.6 million tons, more than 4 million over 1983. Cottonseed and peanut crops showed the largest growth, increasing 31 and 22 percent, to 12.15 and 4.8 million tons, respectively. Rapeseed production decreased to 4.2 million tons, roughly 90,000 below 1983.

*Overwintering Crops Expand in Area*

The 1985 winter wheat area reportedly increased about 50,000 hectares over 1984. In the Yangtze River Valley, farmers have planted less winter wheat and expanded rapeseed area. But, in the North China Plain, farmers increased winter wheat area more than enough to compensate for the decline in the south.

Winter rapeseed area has expanded more than 20 percent, to 4.13 million hectares. After 2 years of state-planned reduction, 1985 rapeseed acreage is back to the 1982 level.

*U.S. Farm Exports Down*

The value of U.S. agricultural exports to China is expected to be more than 40 percent lower in FY 1985, well below last year's $692 million and also under the recent low of $546 million in 1983. The decline is a result of lower demand for U.S. grain, mainly wheat, which now accounts for over 90 percent of the total value of U.S. agricultural exports to China.

Despite the drop in total export value, a greater variety of U.S. products will be sold this year. For example, exports of cattle hides have already exceeded those of recent years. Furthermore, small sales of soybean oil and tobacco have been made for the first time in several years.

*China Exports More Coarse Grains*

China has gradually become an important exporter of corn, cotton, and soybeans, and is competing with the United States, particularly in Asian markets. Sales of China's coarse grains are expected to rise in 1984/85 to 3.65 million tons. Domestic stocks and production for many crops have continued to climb in the last 2 or 3 years. Cotton stocks, for instance, are estimated at more than a year's consumption, following another record harvest in 1984. Stocks of corn, rice, and soybeans in

China's trade in major commodities

| Commodity | 1980/81 | 1981/82 | 1982/83 | 1983/84 | 1984/85 E |
|---|---|---|---|---|---|
| | 1,000 metric tons | | | | |
| Imports | | | | | |
| Wheat | 13,789 | 13,200 | 13,005 | 9,600 | 8,500 |
| Coarse grains | 915 | 1,426 | 2,549 | 215 | 200 |
| Soybeans | 540 | 500 | 0 | 0 | 0 |
| Soybean oil | 73 | 30 | 10 | 0 | 10 |
| Cotton | 773 | 457 | 239 | 54 | 22 |
| Exports | | | | | |
| Rice | 583 | 460 | 550 | 700 | 700 |
| Coarse grains | 200 | 200 | 100 | 250 | 3,650 |
| Soybeans | 143 | 120 | 285 | 700 | 700 |
| Soybean meal | 170 | 245 | 590 | 550 | 550 |
| Cotton | 1 | 0 | 16 | 163 | 261 |

E = estimates.

some areas are also above storage capacity. China's inability to handle and distribute the crop surpluses within the country has caused it to increase exports of coarse grains and other surplus crops. [*Francis C. Tuan (202) 447-8676*]

## South Asia

*Grain Prospects Generally Good*

India's 1984/85 rice crop is now estimated at 59.5 million tons, near last year's record, and Pakistan's harvest is set at a record-matching 3.4 million tons. However, severe flooding reduced rice production in Bangladesh, and dry weather may have dealt a minor setback to Sri Lanka's rice crop.

Good 1985 wheat harvests are expected throughout the region. After a poor year in 1984, Pakistan's crop is likely to rebound to a record, because of good weather and added price incentives. India's wheat harvest is expected to be near last year's record, although dry weather in rainfed areas may prevent another large increase in production.

*Food Grain Imports Fall*

South Asian wheat imports are forecast to be down nearly 35 percent to 3.8 million tons in 1984/85 (July/June), with U.S. sales falling nearly 50 percent to about 1.2 million. India will account for all of the decline as it halts imports and, instead, initiates exports of some surplus stocks. Announcements indicate that a total of 750,000 tons will be exported to the Soviet Union, to Romania, and to Africa for famine relief. A good 1985 crop will likely build stocks further and lead to additional exports. Record procurement of rice in 1984/85, combined with reduced demand for subsidized rice, has bolstered stocks. Stocks may approach the target volume by July 1 and eliminate the need for additional rice imports in 1985.

Pakistan's wheat imports are forecast to jump from 360,000 tons last year to 860,000 in 1984/85. About 500,000 tons, primarily of Australian origin, have been arranged through barter agreements with Bulgaria, Finland, and Sweden to compensate for the 1984 production shortfall. In addition, wheat donations for Afghan refugee relief will continue at about 360,000 tons.

Because of the poor rice crop and low stocks, Bangladesh's food grain imports are forecast to rise from 2.1 million tons in 1983/84 to 2.6–2.8 million in 1984/85, including a record-matching 1 million tons of commercial purchases. Wheat imports are forecast at 1.9–2.1 million tons, compared with 1.9 million in 1983/84, while rice purchases, primarily from Thailand, will more than triple to about 650,000 tons. Sri Lanka's wheat and rice imports are expected to decline because of ample domestic rice supplies.

*Soybean Oil Imports Also To Drop*

India's edible oil imports are forecast to decline from a record 1.6 million tons in 1984 to about 1.4 million in 1985. A second consecutive year of good oilseed harvests is expected to ease the high domestic oil prices which contributed to unusually large imports in 1984. Pakistan's oil imports are projected to rise only 2 percent to about 670,000 tons, as a sharp rebound in production from cottonseed largely offsets growth in demand.

Because Malaysian palm oil supplies were limited and prices relatively high, soybean oil accounted for the largest share of India's and Pakistan's edible oil imports in 1984. With a strong recovery in palm oil supplies forecast for 1985, both countries, and particularly India, are expected to shift imports towards palm oil.

*Pakistani Cotton Crop To Shatter Record*

Pakistan's 1984/85 cotton crop is now estimated at 4.5 million bales (480 pounds each), more than double last year's pest-ravaged crop and 19 percent above the previous record. Exports are projected to rebound to 1.1–1.2 million bales. India's cotton crop is also expected to rebound, rising 10 percent to a record 6.5 million bales. However, India's low stocks will constrain exports and may necessitate imports of medium-staple cotton. [*Maurice R. Landes (202) 447-8229*]

## Southeast Asia

*Indonesia To Export Rice in 1985*

Indonesia's 1984 rice crop of 25.8 million tons was 7.6 percent above 1983 output, dropping 1984 imports to 387,000 tons. The current monsoon is excellent, indicating rice production of about 26.5 million tons in 1985. Indonesia will achieve net rice exporter status with shipments of 150,000 tons (including 100,000 to the Philippines), exceeding projected imports of 50,000 tons of glutinous and other high-quality rice from Thailand.

Malaysia's agricultural sector rebounded in 1984, led by palm oil output of 3.72 million tons, 23 percent above 1983. Record output of 4.1 million tons is expected in 1985. Palm oil exports in 1985, virtually all processed, may increase to near 3.6 million tons, 20 percent above 1984.

*Philippines Receive IMF Loan*

In December, the Philippines received the first installment (tranche) of its $610 million standby loan from the International Monetary Fund (IMF). Both the second IMF installment and a new loan of $925 million from foreign commercial banks rest upon the IMF review of the country's economic performance. The review is scheduled to be completed in mid-March. The first installment of the new foreign commercial bank loan will total $300 million. The release of both loans is likely by early April. As part of the economic adjustment program, prices of several key Philippine commodities have been deregulated, as have domestic sugar marketing and coconut oil exports. To facilitate trade this year, the United States is extending $185 million in GSM-102 export credit guarantees for U.S. wheat, feed grains, and soybean meal exports.

*Thai Rice Price Falls*

The world rice price has fallen 14 percent since November in the wake of Thailand's 14.8-percent baht devaluation. The Bangkok price for the equivalent of U.S. No. 2 white rice is $232 per ton, 44 percent below the f.o.b. Houston price. Thailand exported a record 4.5 million tons in 1984, 21 percent above 1983, which also was a record. In the first 9 months of 1984, exports to Asia and the EC nearly doubled from a year earlier. Thailand is expected to make further inroads into traditional U.S. markets for high-quality rice.

The 1984/85 main rice crop is estimated at 16.5 million tons, 3 percent below 1983/84

because of a delayed monsoon in the north and below-normal moisture in the primary producing area. A shorter rainy season and a labor shortage at harvest resulted in overdried paddy, thereby reducing the milling quality. Increased nonglutinous rice production in the northeast and large carryover stocks will ensure export availability of 4.6 million tons in 1985, despite the overall production decline. Weak international demand may limit Thai exports to 4.25 million tons.

Thailand's 1984/85 corn crop is estimated at 4.5 million tons, with an estimated 3.2 million tons available for export. Lower moisture content has improved the quality of the crop. Exports early in this market year were 43 percent above 1983/84, despite strong competition from high-quality Chinese corn in East Asia. Exports to the Soviet Union and Africa have offset the sharp decline in regional exports.

Thailand has lifted its ban on soybean imports and may import 10,000 tons from the United States to supplement the domestic supply. Increased soybean oil imports are also anticipated. [*Jitendar S. Mann (202) 447-8229*]

## Sub-Saharan Africa

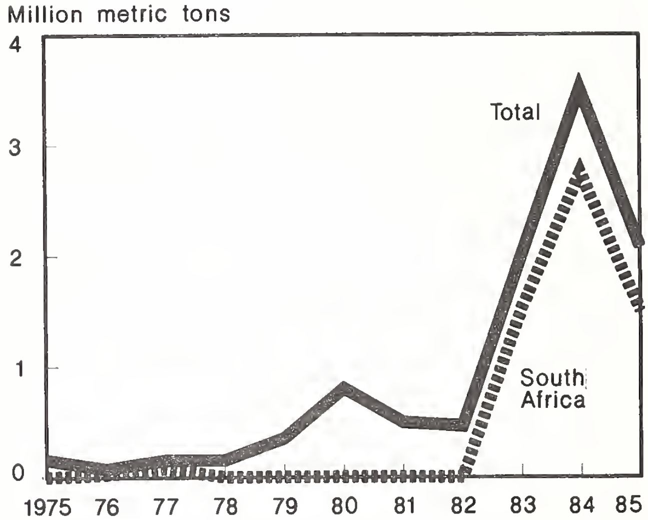
### *Southern Africa's Corn Imports To Fall*

Normal to above-normal rains have fallen over much of Southern Africa so far during the 1984/85 growing season, and regional corn imports are forecast to decline about one-third from 1984's record 3.5 million tons. In most of the region, planting begins with the onset of the rains in November, and most harvesting takes place from May to July. This year, following 2 to 3 drought years in many areas, crop production in the region should improve considerably. The main exceptions to this pattern are in portions of South Africa and Botswana, where dry conditions in some crop areas have persisted. Also, during the first half of February, some coastal sections of South Africa and Mozambique received heavy rain that caused some flooding and may have damaged crops.

### *South Africa To Import Less Corn*

For the third consecutive year, South Africa will have a poor corn harvest. The current estimate of about 6.7 million tons places it 50 percent higher than last year's crop, but still slightly short of domestic consumption requirements. As a result, South Africa is again importing U.S. corn, but sharply less than 1984's 2.7 million tons.

**Southern Africa Corn Imports**



1984 Preliminary.
1985 Forecast.

One official indication of the poor corn crop was South Africa's suspension--for the third consecutive year--of corn exports to Taiwan. The agreement called for shipment of 600,000 tons per year. South Africa has not exported corn to Taiwan since early 1983, and shipments that year were only 244,000 tons. This suspension was important in increasing the U.S. share of Taiwan's corn market to over 99 percent in 1984. Despite the current low value of the rand relative to the dollar, it may be difficult for South Africa to regain competitiveness in corn exports, given its agricultural sector's weakened financial condition and sharply escalating domestic costs and prices.

Since the record 1981 harvest, area planted to corn in South Africa has been declining, and this year's estimated 3.9 million hectares is down slightly from 1983. Below-normal rainfall in the western corn region, in addition to poor rain distribution, means that the yield will not be as high as expected, but still above the previous 2 years.

### *Crops Increase in Zambia, Zimbabwe*

Major increases in corn production are expected in Zimbabwe, with preliminary

indications of a crop 30 to 50 percent higher than last year's 1.5 million tons. Rainfall in January was close to record, and heavy rain continued through early February. The country is likely to export some corn, perhaps as much as 400,000 to 500,000 tons, including a possible 100,000 to South Africa. However, it is difficult to forecast the amount, which will depend on the crop outturn and stocking decisions. Zimbabwe is anxious to boost foreign exchange earnings through maximum exports, but the strong likelihood of future dry weather implies maintenance of fairly large stocks.

Zambia may approach corn self-sufficiency this year, since plantings were reported to be quite high in response to favorable producer prices. Because of its current low stocks, however, Zambia urgently needs imports to maintain consumption before the local harvest becomes available.

For the third year in a row, Malawi expects another good harvest. Since Malawi largely escaped drought in this period, it has been the only country in the region to remain self-sufficient and to even export some corn to its neighbors. With adequate stocks, Malawi will probably export again in 1985.

*Serious Food Shortages Persist in Mozambique, Angola*

Civil warfare will again disrupt agriculture in Mozambique and Angola, depressing production despite better weather. Fighting has displaced many farmers, interfered with marketing, and otherwise harmed agriculture. At best, food supplies will remain extremely tight and could run short if sufficient imports do not arrive before the local harvest.

Some production increases are likely, but there is little information on the size of the crops in Angola or Mozambique. In southern Mozambique, where food shortages have been most severe, early-season dryness may have damaged some crops despite heavy rains in recent weeks. Due to shortages of seed and other inputs, many farmers were probably unable to replant. Conditions have been good in the north of the country.

Drought has continued in parts of Botswana, but in some crop areas there has been improvement over the last 2 years. Although domestic production will be below normal, the country has more capacity to import and distribute food than Mozambique, for example, and food shortages should not be serious. [*Pete Riley and Larry Witucki (202) 475-3451*]

*Sudan's Famine Second Only To Ethiopia*

The drought which affected the western and northern areas of Sudan in 1983 became more widespread in 1984. Cereal production declined 35 percent to 1.5 million tons, well below the 2.8-million-ton average of 1979-83. Sorghum output declined to 1.2 million tons, from 1.8 million the previous year. The water level of the Blue Nile was sharply reduced, leading to a Government decision not to plant wheat in the Gezira scheme, the country's largest irrigated farming project.

Among the nomad population, the loss of grazing lands has caused distress sales of livestock, the nomads' principal source of income. Thousands of Sudanese farmers have left their villages in search of food. Sudan is now considered one of the 10 countries most severely affected by the current famine, second only to Ethiopia in population at risk. It is estimated that 6.2 million of Sudan's 22 million people face the threat of starvation.

*U.S. Food for Peace Increases for Sudan*

The United States is playing a leading role in relief efforts for Sudan. P.L. 480 Title I wheat and wheat flour allocations for Sudan in fiscal 1985 are expected to reach 300,000 tons. Title II emergency food relief approved to date exceeds 232,000 tons and is expected to rise even higher. Emergency food relief has been primarily sorghum, nonfat dry milk, and vegetable oil. In fiscal 1984, P.L. 480 assistance to Sudan totaled 330,000 tons, primarily Title I wheat and wheat flour. Other donors have made food pledges, but only 25,000 tons of wheat, pulses, and vegetables from the World Food Program have arrived. Prompt action is needed to assure additional food supplies for the rest of 1985.

*Dire Economic Situation Exacerbates Food Crisis*

Sudan's capacity to import food commercially has been sharply reduced as GNP has declined and foreign exchange constraints have become severe. The foreign exchange problem has resulted from heavy debt-service obligations and deepening trade deficits.

In recent years, Sudan has been hurt by low world prices for cotton--its major export--and by high petroleum import expenditures. Sudan is in arrears on debt payments to the IMF and the World Bank, effectively halting its programs with these institutions. Its overvalued currency has also caused foreign exchange shortages by encouraging imports. In February, the Government devalued the Sudanese pound, a step towards addressing Sudan's economic ailments and appeasing nervous donors.

The country's poor economic situation has been further complicated by a rebel insurgency in the south and a substantial influx of refugees from Ethiopia and Chad because of food shortages and civil strife in those countries. [*Stephen M. Haykin (202) 447-9162*]

## Latin America

*Foreign Debt Looms in Background*

The Latin American foreign debt situation is the principal factor shaping the region's current agricultural production and trade policies. Of the 20 countries with the largest foreign debt, five are in Latin America--Argentina, Mexico, Brazil, Venezuela, and Chile. Many of the agreements that these countries have signed with the IMF in renegotiating their foreign debt have included provisions for increasing exports, cutting back on imports, removing subsidies controlling inflation, and following other austerity programs.

Mexico has adhered to the IMF agreement made last year with the help of considerable debt restructuring. Argentina also completed its agreement with IMF and the Paris Club, but it may have difficulty reaching its goal of keeping inflation under 300 percent. Brazil has not come to terms with all of its creditors, creating an obstacle in the next round of negotiations.

Venezuela's public-sector debt has been restructured, but not its private-sector debts. In mid-December Ecuador refinanced about $5 billion by extending the date of maturity. Chile has signed a letter of intent to meet the financial targets it had agreed upon with the IMF, but February negotiations were interrupted by the resignation of the Minister of Finance. Peru has resumed making interest payments after suspending them for 6 months. The IMF had frozen disbursements of new money to Peru after the nation failed to meet the targets of the mid-1983 debt restructuring agreement set up with the IMF. Colombia is also seeking new lending to ease its debt problems, which had been much less severe than its neighbors' difficulties.

While all these renegotiations are giving Latin America short-term relief, foreign debt will continue to limit longer term prospects for general economic growth and for expansion of imports. Most of Central America has adopted programs sanctioned by the IMF to reduce public sector deficits and slow their inflation rate. The IMF approved a standby loan to Costa Rica and commercial banks have rescheduled debt payments that were due in 1985 and 1986.

Other consequences are more immediate. Peru and Bolivia have sharply cut agricultural imports, particularly from the United States, as their economies have faltered. Other nations, such as Venezuela, Colombia, and Chile, have prohibited some agricultural imports and added import taxes to others. Caribbean countries like the Dominican Republic, Guyana, and Jamaica have taken strong measures to cut imports, including increasing domestic prices and tightening import regulations. Nearly every country has officially devalued its currency, making imports more expensive.

*Mexico Changes Oilseed Import Policy*

In a major policy change, the Government of Mexico has agreed to allow the private sector to import oilseeds directly, rather than having the Government's purchase agency, CONASUPO, as the sole importer. Under the new system, the United States could face

stiffer competition from oilseed exporters, that is, Argentina and Brazil.

The Government has already granted import licenses and preferential exchange rates for soybeans, sunflowerseed, and cottonseed. In the past, the United States has helped finance a large share of its coarse grains and oilseed exports to Mexico through GSM-102 export credit guarantees. These credit guarantees were offered to Mexico for purchase by CONASUPO. However, the Mexican private trade may not be eligible to receive similar guarantees.

*Argentina and Brazil Become More Competitive*

Argentina is currently price competitive in all markets, offering wheat at $20-$30 per ton less than comparable U.S. wheat. In January, Argentina sold Peru 560,000 tons of wheat for 1985 delivery, out of total annual requirements of about 1 million tons. Argentina has also made inroads into the Mexican oilseed market and is offering sunflowerseed to Mexico at a price below the U.S. offer price.

The 30-percent real devaluation of the Brazilian cruzeiro in 1983 has increased Brazil's overall competitiveness in world markets. Brazil's export programs for soybean products have also changed and may determine whether soybeans will be exported as the raw product or as oil and meal. The currency devaluation and the increased exports of raw soybeans outweigh the austerity measures that Brazil has taken to comply with the IMF, that includes the suspension of the subsidized credit and tax rebates that previously had encouraged soybean product exports.

Brazil is now the leading supplier of frozen concentrated orange juice (FCOJ) to the U.S. market, providing 90 percent of imports. Two consecutive freezes in Florida may now leave the U.S. industry dependent on imports for a large portion of U.S. supply. In 1984, the value of U.S. imports of FCOJ from Brazil more than doubled from 1983, exceeding $566 million.

*Dominican Republic, Jamaica Protest Austerity Price Hikes*

Attempts to meet IMF goals through austerity programs have met with side effects. The Dominican Republic's successive rounds of price increases for basic foods, gasoline, electricity, and transportation have resulted in protests in the larger cities. The most recent strike in Santo Domingo in late January occurred after the Government announced 20- to 60-percent price increases for staples, including rice, bread, cooking oil, and pasta (later the Government partially rolled back prices). Street demonstrations also occurred in Kingston, Jamaica, following consumer price increases.

Domestic production responses expected from significantly higher prices for domestically grown foods will occur slowly, since imports of agricultural inputs such as livestock feeds, seeds, and fertilizers have become more difficult. Moreover, because of austerity programs, food imports will not grow appreciably in 1985. But, Caribbean governments will be seeking alternative suppliers, concessional sales agreements, and barter arrangements, as they scramble to minimize costs.

*Other Factors Affect Trade*

Agricultural production in 1984 was up slightly, and most countries showed a modest upturn in income, stimulating demand. Latin America's agricultural imports for 1984/85 are expected to be about the same as they were a year ago, but U.S. agricultural exports to Latin America will probably decline slightly.

Latin America's 1984 grain production was 93 million tons, about the same as before 1981, before 2 years of disappointing crops. Consequently, grain imports will be down about 500,000 tons in 1984/85. Oilseed imports are expected to remain about the same as in 1983/84, despite a downturn in world prices. Poultry production is recovering in most countries, stimulating demand for feed grains and protein meals. Among tropical products, coffee production is down slightly; cocoa beans and sugar cane are up slightly. [*Chris Bolling, Myles Mielke, Ed Allen, Jorge Hazera, Richard Brown, and Nydia Suarez (202) 447-8133*]

## WORLD TRADE AND FOOD POLICY

### International Organizations

*Same Agricultural Issues Confront GATT 40th Session*

The 40th session of the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) was held November 26-29, 1984, in Geneva, Switzerland. The Contracting Parties reviewed the progress of the November 1982 GATT ministerial work program and agreed to continue with its multiple issues, often considered to be hard-core trade problems for which no solutions have yet been found. Progress in the work program typically prepares for negotiation of an issue.

Progress toward liberalization was made in the areas of trade in agriculture, textiles and clothing, quantitative restrictions and other nontariff measures, and continuing negotiation on safeguard measures. More contentious issues were trade in services, high-technology goods, and counterfeit goods, as well as the trade effect of exchange rate fluctuations. Two other topics included the improvement of GATT dispute settlement procedures and the question of the adequacy of the Tokyo Round agreements and arrangements (the MTN Codes).

The Committee on Trade in Agriculture, created at the 1982 GATT ministerial meeting, presented its recommendations to liberalize measures adversely affecting trade in agriculture. Their recommendations were to provide a basis for possible future negotiations.

The committee's 1985 work plan is to study three outlined approaches to liberalizing trade in agriculture. They include import measures, export measures, and technical regulations and barriers that affect trade in agriculture. The goal is to bring these measures under more effective GATT discipline.

The export measures to be examined will include export subsidies and other assistance, such as subsidized export credit. The examination of these measures will follow two parallel approaches: (1) improving present GATT rules covering these export measures, and (2) establishing a general prohibition of these measures with carefully defined exceptions.

*U.S. Withdraws from GATT Dairy Arrangement*

The United States withdrew from membership in the GATT International Dairy Arrangement (IDA), effective 60 days from the formal notice given December 14, 1984.

The IDA began January 1, 1980, with over 20 members, including the United States, the EC, Japan, Australia, and New Zealand. It sets minimum prices for dairy trade by members, as well as provides a forum for exchanging information on production and trade. The IDA's current minimum export prices in U.S. dollars per ton are: skim milk powder, $600; whole milk powder, $950; butter, $1,200; anhydrous milk fat, $1,440; and certain cheeses, $1,000.

The United States said its participation is no longer appropriate because of recent member decisions undercutting the arrangement's price provisions. The EC recently sold the Soviet Union 200,000 tons of butter, half of which was sold at $1,250 per ton and the other half at a discounted price of $450 because it was older than 18 months.

### Food Aid Programs

*U.S. Aid Increases To Drought-Hit Africa*

This fiscal year, $172 million of P.L. 480 Title I/III food aid (long-term concessional credit) has been approved to help alleviate hunger in Sub-Saharan Africa, up from $127 million. Approvals for Title II (emergency donations for hunger relief and development) total over $419 million, compared with $290 million in fiscal 1984. Some funds have also been reallocated from regular to emergency programs.

For the first time, 300,000 of the 4 million tons in the U.S. Food Security Wheat Reserve will be made available through P.L. 480 Title II for emergency food assistance, principally for Sub-Saharan Africa. This is the maximum the President may release in a fiscal year, triggered when either U.S. supplies are

limited or timely shipments of regular P.L. 480 wheat are unavailable.

Section 416 overseas donations involve dairy products and wheat. Eleven countries have been allocated about 44,000 tons of dairy goods.

Further, on January 27, the CCC sold on a competitive-bid basis $66.7 million worth of wheat, corn, and rough rice to private exporters for resale to African countries hit by severe drought. This was the second sale resulting from the May 18, 1984, decision to sell $90 million of CCC grain--over 400,000 tons--to help relieve hunger in drought-affected African countries.

Last fiscal year, U.S. food aid to the region was a record 1.4 million tons. Since October 1, 1984, the total amount of food aid approved has been over 2.1 million tons, worth $682 million. Congress is debating further food aid; supplement proposals range from the President's request for $185 million to several representatives' proposal for $825 million. [*Edward Wilson and Mark Smith (202) 447-8470*]

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